

Creating cities that bustle with activity

Urban Development Segment

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

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 logistics facilities, management of rental housing, etc., contributing to a comfortable and bountiful urban lifestyle.

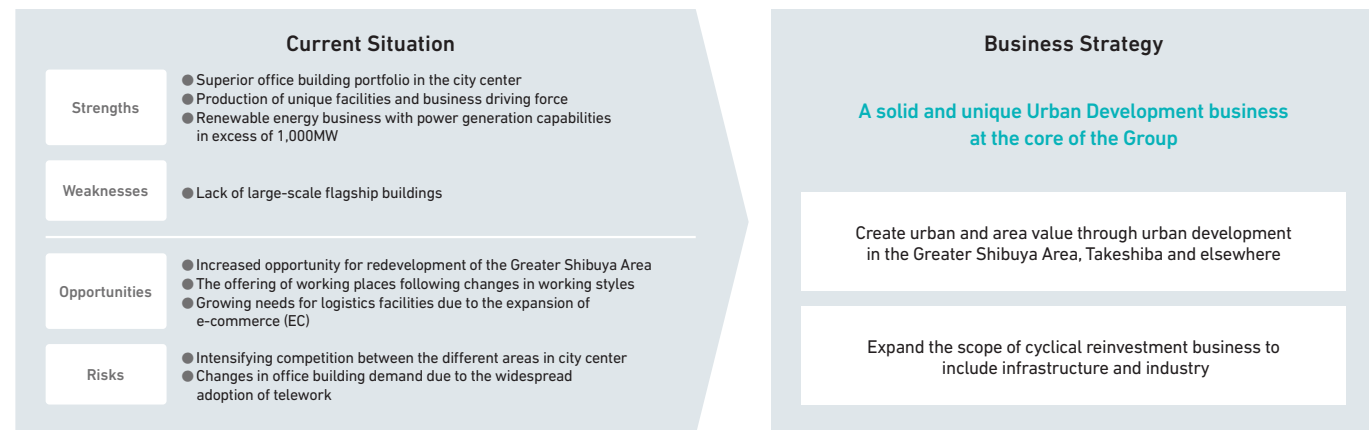


Value Provided Through Businesses

A Comfortable Urban Life

Safe and Secure Housing

Clean Energy



Advancing and Prospecting Our Medium-Term Management Plan

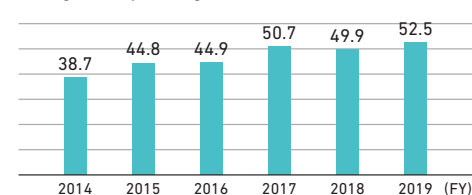
In the Urban Development segment, the expansion and enhancement of our revenue base is progressing, with the completion of projects such as SHIBUYA SOLASTA and SHIBUYA FUKURAS in the Greater Shibuya Area, and TOKYO PORTCITY TAKESHIBA in the Takeshiba Area. In the infrastructure and industry field, too, our development and operation of renewable energy power generation facilities and logistics facilities has also progressed, and we had continued to steadily expand revenues towards the achievement of our operating profit target for the segment in the Medium-Term Management Plan. However, impact in the form of rent reductions/waivers and decreases in percentage rents as a result of temporary closures of our main commercial facilities accompanying the spread of COVID-19 infections has caused an impact on business performance.

In the office business, approaches such as Green Work Style incorporating IoT and the power of greenery until now have enabled us to propose new workstyles that increase productivity and creativity. In order to cater to a diverse range of workstyles, we have proactively advanced the opening of more Business-Airport membership-based satellite offices. We expect that needs for workstyles both inside and outside offices will continue to increase in the future, accompanying the advancement and firm establishment of remote work, beginning as a response to the COVID-19 pandemic. Moving forward, we will continue to provide offices to support new workstyles while identifying social issues more than ever before.

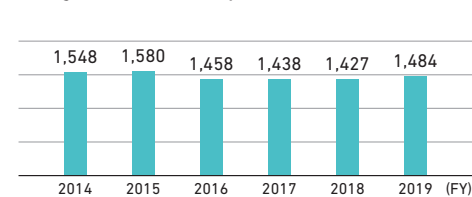
In infrastructure and industry related business, there is increasing demand for logistics facilities due to the rapid expansion of e-commerce, as represented by consumers staying at home and spending. Since its entry into the logistics facility development business in 2016, TOKYU LAND CORPORATION has been engaged in development efforts through the LOGI'Q brand, leveraging the Group's accumulated know-how and total capabilities as a comprehensive developer. Moving forward, together with ReENE, our renewable energy business, we will focus our energies into investment in the infrastructure and industry field.

In our rental housing management business, we are steadily increasing the number of units under management. The number has exceeded 100,000 at Tokyu Housing Lease Corporation. NATIONAL STUDENT INFORMATION CENTER CO., LTD. is gradually commencing its operation of CAMPUS VILLAGE, which was developed by TOKYU LAND CORPORATION and is operated and managed by NATIONAL STUDENT INFORMATION CENTER CO.,LTD.

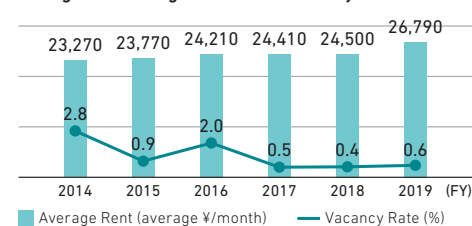
Changes in Operating Profit (Billions of yen)



Changes in Total Floor Space^{*1} (in 1,000m²)



Changes in Average Rent^{*2} and Vacancy Rate^{*1}



*1. For office buildings and commercial facilities

*2. Only for office buildings



TOKYO PORTCITY TAKESHIBA (Completion: May 2020)



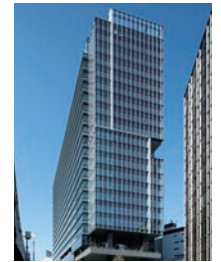
SHIBUYA FUKURAS (Completion: October 2019)



Tokyu Plaza Shibuya (Opening: December 2019)

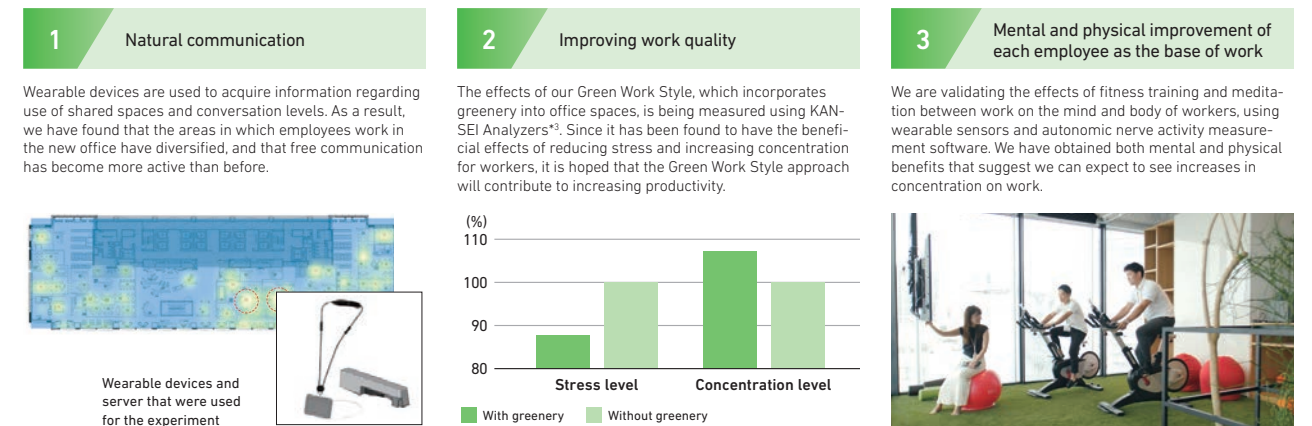
Live Offices Proposing and Implementing New Workstyles

At the SHIBUYA SOLASTA building (where Tokyu Fudosan Holdings Corporation is a tenant) we have launched a Live Office system in which employees engage in new workstyles to enable customers to visualize them. We are seeking to energize communication and improve productivity by limiting office seating to only 50% of the size of our workforce, and creating diverse workspaces. By engaging in workstyle reform initiatives that we are possible only because we are a comprehensive developer, and conducting various demonstrative tests to prove the effectiveness of these initiatives, we are proposing workstyles that will lead to the resolution of customer issues, based on reliable insights and evidence.



SHIBUYA SOLASTA
(Completion: March 2019)

Main initiatives and benefits



*3. A simple brainwave measurement and emotional evaluation kit. Effects are assessed based on the results of comparative validation from brainwave measurements subjective evaluations. Given limited periods and dates, only some employees were measured.

Initiatives for Social Issues Through Our Business: Supporting Social Infrastructure through Renewable Energy Business Operations

We are currently seeing an increase in the importance of renewable energy globally. At TOKYU LAND CORPORATION, we have been engaged in the renewable energy business—which embodies a key aspect of our sustainability policy, that “we strive for environmental and economic harmony through our business activities”—since 2014. Business operations being conducted under the ReENE brand contribute to suppressing CO₂ emissions and increasing Japan's energy self-sufficiency. At the same time, they are resistant to the impact of economic changes, and can be expected to contribute to increasing demand and investment, as a stable revenue-generating asset.

The ReENE Matsumae Wind Farm commenced operation in April 2019. The wind farm is equipped with 12 wind turbines, which at the time were the largest in Japan, enabling a level of power generation equivalent to the yearly power consumption of around 30,000 typical households. Based on our emphasis on consideration for the environment and regional cooperation, we are developing solar sharing business operations that allow power generation to coexist with farming, and building a sustainable business model while promoting regional vitalization.

We have also established the Renewable Energy Association for Sustainable Power supply (REASP) in association with Renewable Japan Co., Ltd. and other powerful business operators, and are working to create systems that will enable the stable supply of renewable energy in the long term, in collaboration with local communities.

TOKYU LAND CORPORATION joined RE100^{*4} in April 2019. The Company is working to realize the goal of 100% Renewable Energy (including renewable energy used by the Company itself) by 2050. In this way, we will contribute to the realization of a low-carbon society, from a sustainable perspective.

*4. An international initiative where participating companies set a goal of attaining 100% renewable energy procurement for power used in business activities.



ReENE Matsumae Wind Farm
(Commencement of operation: April 2019)

Shining a new light on housing

Residential 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.

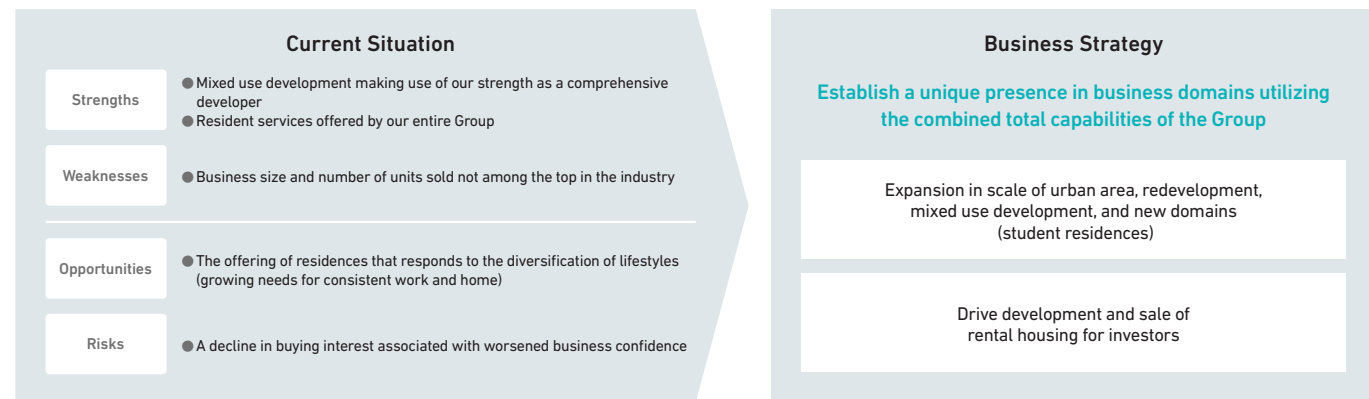


BRANZ Maruyama Gaienmae (Completion: July 2019)

Value Provided Through Businesses

A Comfortable Urban Life

Safe and Secure Housing



Advancing and Prospecting Our Medium-Term Management Plan

In the Residential segment, we have strengthened our city center properties and redevelopment business, developing and selling condominiums such as BRANZ Rokubancho and BRANZ Tower Umeda North. With the temporary closure of our condominium galleries as a response to the spread of COVID-19 infections in fiscal 2020, the segment has suffered impact such as a decrease in agreements signed and condominium units posted as sold. As a result of these impacts, we expect to see a decrease in both revenue and profit in comparison with the previous fiscal year.

As a result of the widespread adoption of work-from-home and remote workstyles during the COVID-19 crisis, the roles and values that are demanded of housing are diversifying. In our residence business, since the completion of Tokyu Skyline—one of the industry's first condominiums—in 1958, we have offered customers housing and services that support safe, comfortable, high-quality lifestyles, and design that can be passed on from one era to the next. In recent years we have also developed Life Story Town, an urban development concept that proposes new lifestyles starting with housing, which has contributed to area management, local community revitalization and improvement of value. Moving forward, we will continue to cater to customer expectations through the provision of housing that caters to a diverse range of needs.

Initiatives for Social Issues Through Our Business: Provision of Professional Daycare Services Inside Condominium Buildings

At BRANZ CITY Chofu, as a collaborative service with an NPO, TOKYU LAND CORPORATION will introduce a Childcare Family Support Service: a membership-based service available only to residents, which seeks to alleviate childcare problems and enable residents to spend quality time with their families. Residents will be able to make use of shared kitchens, children's spaces and other communal facilities; a Daycare Service in which dedicated childminders care for children after preschool, kindergarten and elementary school; and an Evening Meal Service that provides weekday evening meals for children on a reservation basis. The service will also offer events and childcare consultations. Moving forward, TOKYU LAND CORPORATION will provide more new lifestyle solutions with awareness of diversifying work lifestyles and social issues such as the declining birthrate and aging population.



BRANZ Chofu (Completion: January 2021[planned])



Providing lifelong support for buildings and customers

Property Management Segment

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

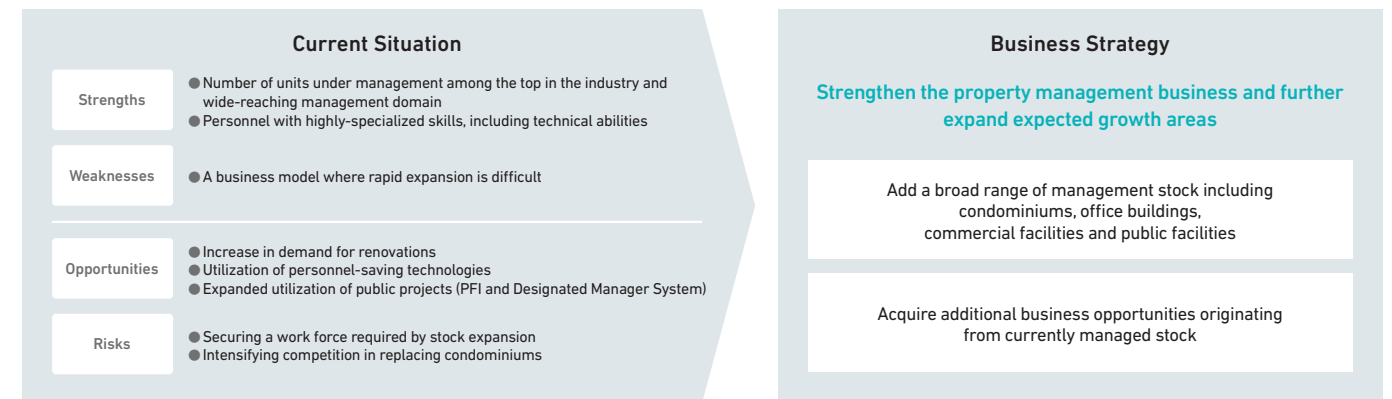
We offer comprehensive support for management, operations, and renovations of a variety of buildings, including condominiums, buildings, commercial facilities, public facilities, and public housing. We are contributing to the sustained enhancement of our customers' living environment and value of our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



Value Provided Through Businesses

A Comfortable Urban Life

Safe and Secure Housing



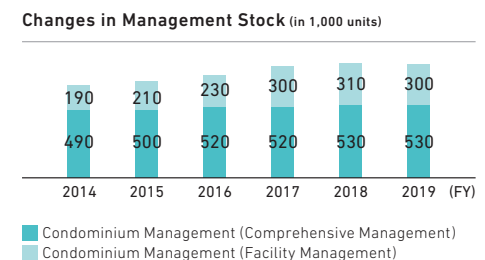
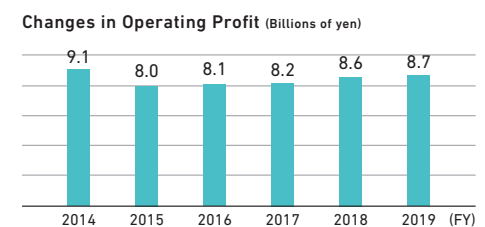
Advancing and Prospecting Our Medium-Term Management Plan

In the property management segment, which is the mainstay of the Property Management business, we have commenced management of properties such as RIKEN Wako Campus and SHIBUYA FUKURAS in the Greater Shibuya Area. In condominium management, as the replacement order environment grows increasingly challenging, we have worked to tackle increases in the amounts of management outsourcing fees as we seek to improve the quality and level of our services. We are also promoting IT-based management operations via the Life Time Portal website for customers. We have also invested our energies into public projects utilizing PFI and the Designated Manager System. Leveraging our extensive track record, we have expanded the scale of our business, and now manage over 200,000 units of publicly operated residential housing as a Designated Manager.

Overseas, following on from Indonesia in 2017, we established a local subsidiary in Vietnam in 2019, and commenced property management operations. Utilizing know-how developed through the management and operation of a diverse range of assets in Japan, we will provide Japanese-quality real estate management services in these countries in line with the Lifetime Management concept of increasing asset value by maintaining buildings in a sound state for a long period of time.

Initiatives for Social Issues Through Our Business: Promoting Personnel and Labor Saving through DX

Tokyu Community Technical Training Center NOTIA, which commenced operations in May 2019, has introduced cutting-edge Nearly ZEB environmental technologies. The center has been working to progress initiatives based on the concepts of having the building itself as a research material and providing a place for demonstrative testing of new technologies. At NOTIA, we are working in a joint effort with Cyberdyne Inc. to develop and demonstratively test a robot-oriented elevator control system designed to cater to major Japanese manufactures. It is an advanced system that will enable cleaning robots and other service robots to use elevators by themselves. By building next-generation management methods that will enable personnel saving through the utilization of robots and other new technologies, we will help to alleviate labor shortages and cater to new needs for contactless services created by the COVID-19 pandemic.



Demonstrative testing of an elevator control system for robots



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

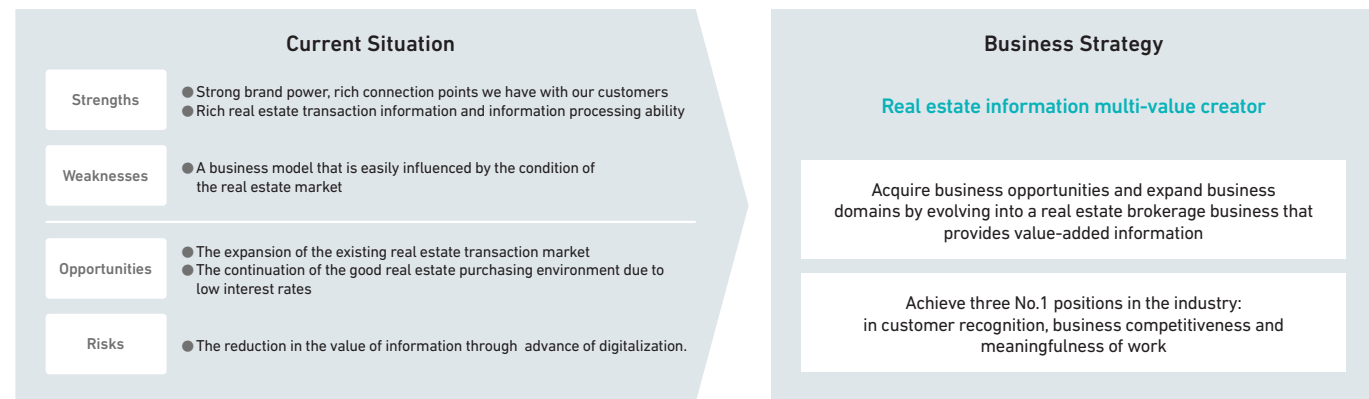
We are responding to each and every need related to real estate transactions, including real estate sales agents, consignment sales, and real estate sales, with advanced services and suitable solutions. We aim for further evolution as a real estate transaction multi-value creator.



Value Provided Through Businesses

A Comfortable Urban Life

Safe and Secure Housing



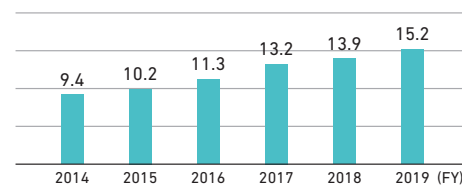
Advancing and Prospecting Our Medium-Term Management Plan

In the Real Estate Agents segment, we have continued to advance the opening of new real estate agent branches in the retail domain, and also steadily expanded our revenues in the wholesale domain. In the real estate sales business, sales for renovation (i.e. acquisition and resale upon renovation) and investment purposes have increased steadily, and contributed to growth of operating profit for the segment. However, profits for fiscal 2020 are expected to decrease in comparison with the previous year due in part to the impact of temporary closures of stores for face-to-face transactions, as a result of the COVID-19 pandemic.

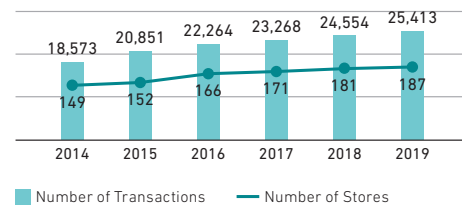
TOKYU LIVABLE, INC. has set itself the goal of securing three No.1 positions in the industry, and is making steady steps forward towards achieving that goal, such as by rolling out GRANTACT branches specializing in high-priced condominiums in city centers, implementing a retail brand strategy through continuous advertising, and creating workplaces that offer job satisfaction.

In addition to our introduction of AI chatbots so far, we are also seeking to improve convenience for customers and secure revenues through efforts such as introducing online customer services and remote property viewings. Moving forward, we will continue to provide diverse value to customers as a real estate information multi-value creator.

Changes in Operating Profit (Billions of yen)



Changes in Retail



■ Number of Transactions — Number of Stores

Initiatives for Social Issues Through Our Business:

Opening Senior Home Relocation Salons in Response to the Increasing Number of Senior Households

With the increase in the number of senior households, relocation needs among senior demographics are increasing. TOKYU LIVABLE, INC. established a dedicated contact desk for senior customers in 2017, and has dedicated staff who assist customers, not only with relocation but also with guidance to senior residences, and offer other assistance up to and including the point of actually moving into their new homes. As a provider of professional real estate services, TOKYU LIVABLE, INC. works together with nursing care specialists, financial planners and other experts to receive consultations regarding concerns that senior customers and their families may have about their future lifestyles; to objectively propose future life planning, and deliver support for enabling a relocation that customers and their families will be satisfied with. Following on from the Shibuya branch, a branch was also opened at Tama Plaza in January 2020.



Scene from a seminar on choosing residences for senior citizens (March 2018)

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.



Hyatt Regency Seragaki Island Okinawa (opening: August 2018)

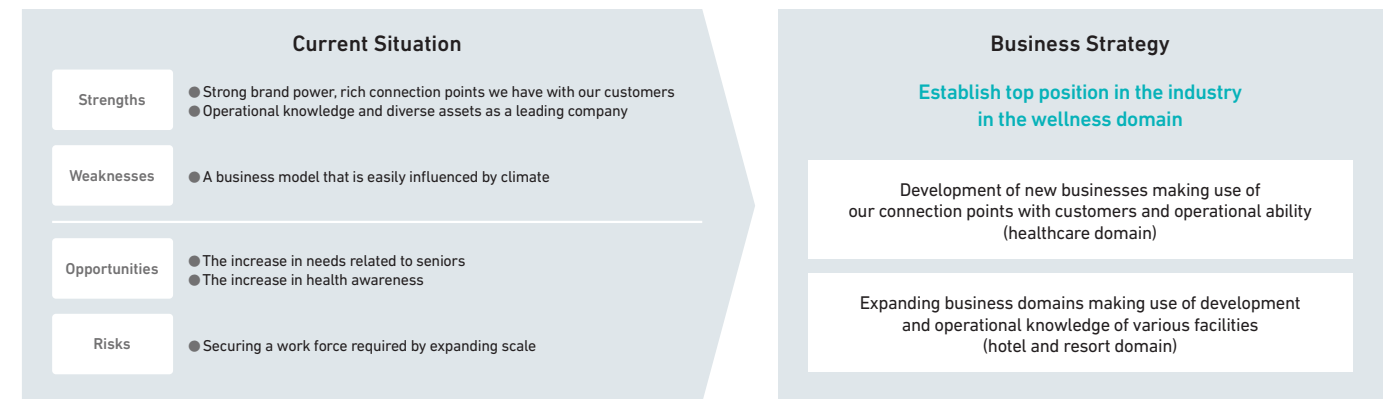


Value Provided Through Businesses

A Comfortable Urban Life

Mental and Physical Health

Fulfilling Leisure Time

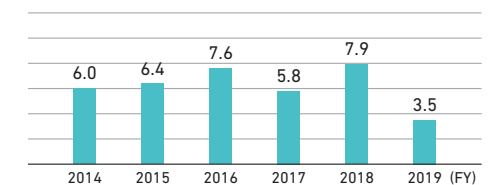


Advancing and Prospecting Our Medium-Term Management Plan

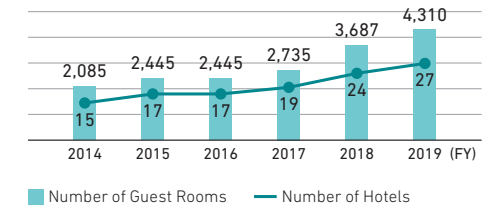
In the Wellness segment, we have advanced the opening of hotels and resorts such as Tokyu Harvest Club Karuizawa & VIALA and our Tokyu Stay urban-style hotels. On July 1, 2020, we consolidated two hotel operating companies and commenced operation of Tokyu Resorts & Stays Co., Ltd. In addition to the Group's own facilities, we are also pushing ahead with outsourcing to external parties, leading to the enhancement of the Group's Hotel and Resort business. In the healthcare domain, we have leveraged our operating capabilities and points of contact with customers to open the senior housing complex Creer Residence Yokohama Tokaichiba, and rolled out new services such as Lactive which contribute to extending healthy life expectancy, at TOKYU SPORTS OASIS.

At the facilities we operate in each business field, we promote personnel and labor saving and sophisticate our business models by digitalizing operations, aiming to deepen and expand points of contact with customers. Through these initiatives, we will continue working to propose new ways of spending time, such as by proposing the WEBGYM online fitness service and hotel workstation plans.

Changes in Operating Profit (Billions of yen)



Changes at Tokyu Stay



■ Number of Guest Rooms — Number of Hotels

Initiatives for Social Issues Through Our Business:

Overcoming Lack of Exercise by Connecting the Gym to Users' Homes with the WEBGYM App

WEBGYM is an online fitness app which enables users to choose from an extensive range of over 1,500 exercise programs packed with TOKYU SPORTS OASIS know-how. It is built around the concept of enabling users to take gym lessons at home, anytime, anywhere. A further evolution of the app, WEBGYM LIVE, enables users to participate in programs being conducted at gyms in real time, via live streaming functionality. It is also possible to retake classes on demand, allowing users to take lessons freely whenever they wish, at their own preferred time. With the impact of the COVID-19 pandemic, there are great needs to overcome lack of exercise at home. As of April 2020, the number of WEBGYM users had grown to three times the number of users in February, and there is growing recognition of the app as a new exercise format.



The industry's first 24-hour online fitness service

Making life fun

Tokyu Hands Segment

Business fields: TOKYU HANDS / hands be

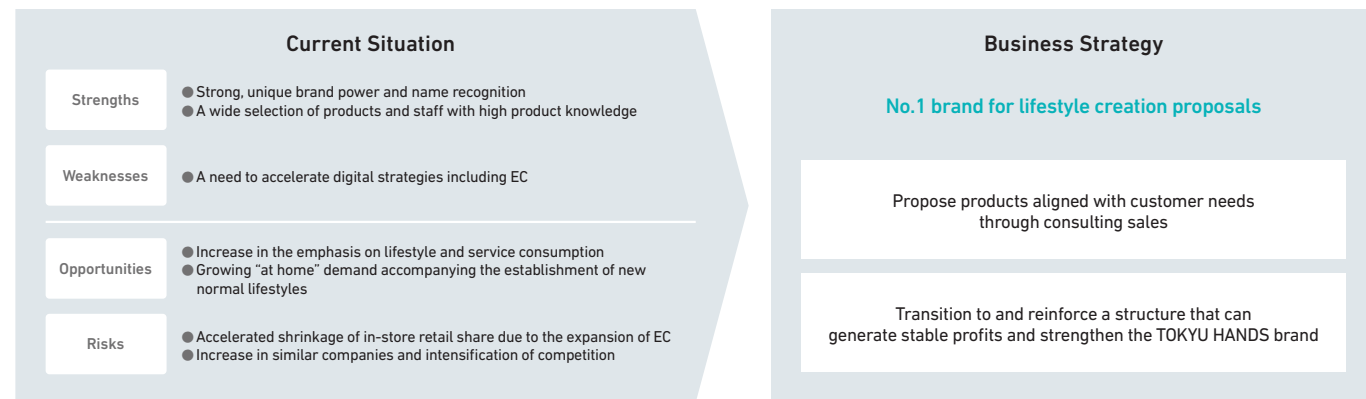
We are offering ideas for a fruitful life, employing a brand slogan of “Its Hint Market” and gathering together a diverse selection of products from a wide range of fields as an aid in realizing the unique lifestyles of each customer.



Value Provided Through Businesses

A Comfortable Urban Life

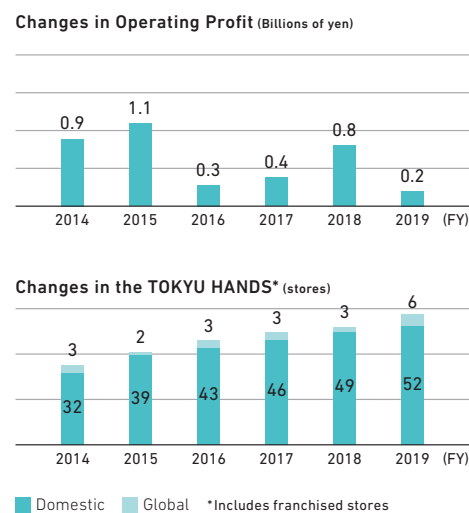
Fulfilling Leisure Time



Advancing and Prospecting Our Medium-Term Management Plan

Utilizing its three core strengths—Products (wide selection of trustworthy products), Services (a place to find exciting ideas), and People (reliable staff with ample product knowledge)—TOKYU HANDS has worked to create stores with a strong sense of individuality that cannot be found at competing stores, such as with the Hi! Tenshu Project at its Shinjuku store, which proposes products in line with customer needs as a form of consulting-based sales. We are also seeking to shift towards a more robust organization for generating stable profits, and have made progress by closing unprofitable stores and opening new stores both in Japan and overseas. We have also worked to create new markets at regional stores, opening Plugs Market stores in collaboration with departments stores.

Store performance was affected greatly from the fourth quarter of fiscal 2019 onward, as a result of temporary store closures and shortening of business hours, primarily at city center stores, as a means of preventing the spread of COVID-19 infections. In addition to building an organizational structure to secure e-commerce demand, which is growing as a result of the COVID-19 crisis, we are also seeking to shift to a structure that will enable us to earn more efficiently, by focusing our energies into increasing in-store value and improving work efficiency through digitalization.



Initiatives for Social Issues Through Our Business:

Plugs Market: A New Business Type for Uncovering Regional Needs from the Perspective of Regional Revitalization

TOKYU HANDS launched Plugs Market in February 2020 as a new business type for regional rediscovery and community co-creation, under the slogan of “making communities happier and healthier.” Plugs Market stores consist of three areas: the Tsutaeba (communication area) event zone, Uriba (sales area) TOKYU HANDS product zone, and Hanashiba (talking area) tenant zone. The stores seek to uncover area needs from the perspective of regional revitalization through activities such as sales events uncovering local community resources, TOKYU HANDS product lineups narrowed down to local needs, and lifestyle service-type communication with tenants; and to communicate their appeal not only locally but over a wider area. We opened our first store at Kintetsu Department Store Kusatsu, and our second store at Shimonoseki Daimaru.



KINTETSU Department Store Kusatsu (Open: February 2020)



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.



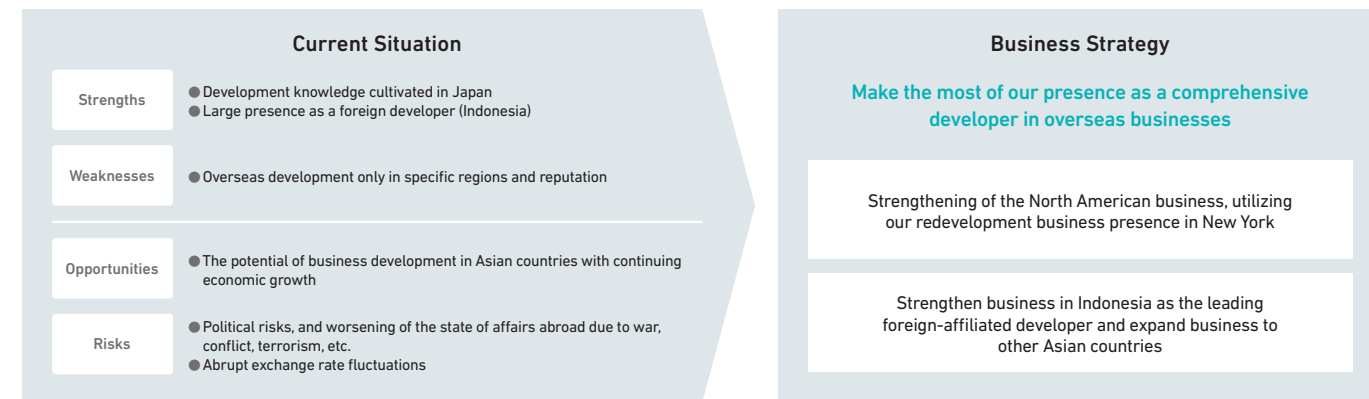
BRANZ SIMATUPANG (Completion: December 2018)

Overseas Businesses

Value Provided Through Businesses

A Comfortable Urban Life

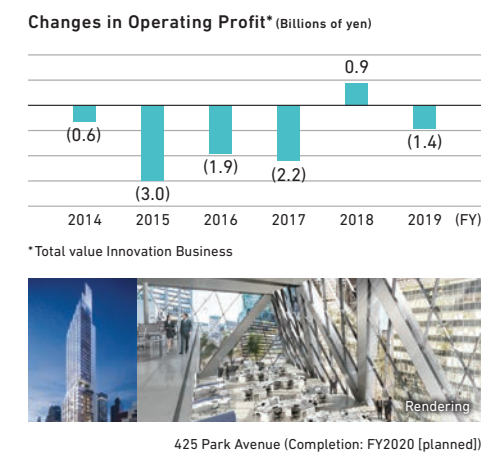
Safe and Secure Housing



Advancing and Prospecting Our Medium-Term Management Plan

In our overseas business, we have worked to make the most of our presence as a comprehensive developer, based primarily around the United States and Asian countries, which continue to display economic growth. In the United States, we are pushing ahead with investments and operation of assets with a primary focus on the development of high-grade office buildings with high-level environmental performance, and leased residences. In particular, we are progressing steadily towards the completion of 425 Park Avenue project, located in New York’s Manhattan district. In Indonesia, we are rolling out the same BRANZ brand condominiums as in Japan, working to create good quality housing and establish a strong brand image. With BRANZ SIMATUPANG and BRANZ MEGA KUNINGAN, we have established an all-Japanese project structure, in which all aspects, from development and design to construction, management and operation are all handled by Japanese companies.

Elsewhere in Asia, we established a local subsidiary in Singapore in 2019, and are seeking to expand our business in the area—with its potential for future growth—by leveraging our experience and knowledge from each Group company accumulated through our overseas business operations up until now.



Initiatives for Social Issues Through Our Business: Making Jakarta a Pedestrian Friendly City Using Japanese Experience

With the support of the Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (JOIN), PT. Tokyu Land Indonesia is developing multi-purpose facilities consisting of condominiums, rental housing and commercial facilities on a 1ha plot of land in the Mega Kuningan area, in the center of the Special Capital Region of Jakarta, which is currently undergoing large-scale redevelopment. As part of the development, we have widened all frontal roads in the development area, contributed to the smoothing traffic flow in the district, and proactively added greenery to the front of the first floor of the commercial facilities. Combined with other features, the design—which pays consideration to frontal roads makes this development one of only a handful of areas in Jakarta where people can live and get around easily on foot. Utilizing its track record of over 40 years in business in Indonesia, PT. Tokyu Land Indonesia will continue working to develop urban areas that will help promote employment, contribute to the economic growth of the country and be loved by the local people.



BRANZ MEGA KUNINGAN (Open: FY2023 [planned])



Section 3

Foundations Supporting Our Sustainable Growth

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

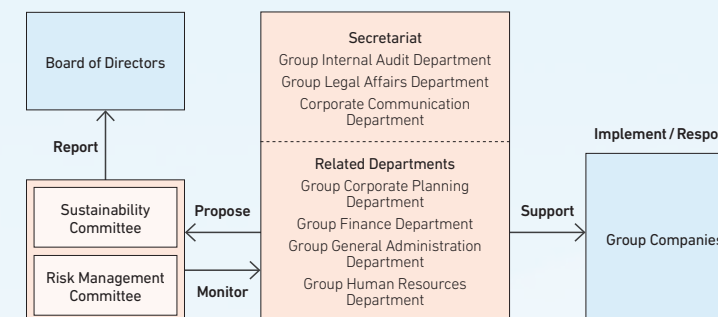
Financial Initiatives

A stable financial base is essential for sustainable growth. The growth of the financial base is more important than ever in the current uncertain business environment, which has been affected by the COVID-19 pandemic. At the Tokyu Fudosan Holdings Group, we are striving to achieve the growth of earnings per share (EPS) and improve return on equity (ROE) by enhancing our earning power while maintaining financial order, with the goal of further improving our shareholder and corporate value.

Non-Financial Initiatives

We position non-financial initiatives as an important management issue. Having inherited the founding spirit of Challenge-oriented DNA, we have set four themes: human capital strategies to develop an organizational climate that will improve our competitiveness; social needs, to contribute to the building of a sustainable, prosperous society; the environment, which includes climate change and biodiversity, and corporate governance. We are taking action throughout the Group to achieve the KPI targets set for these themes.

Sustainability Promotion System



Sustainability Committee

Photo: View from 196 meters above TOKYO PORTCITY TAKESHIBA

Foundations Supporting Our Sustainable Growth

Financial Capital Strategy

Business conditions have changed rapidly as a result of the COVID-19 pandemic, and it remains difficult to forecast when the situation will end. Under these uncertain conditions, where it is unclear what may lie ahead, having a stable financial base becomes more important than ever. Moving forward, we aim to improve EPS growth and ROE by enhancing our earning power while maintaining financial discipline, with a view to further improving shareholder and corporate value in the future.

In May 2019, which marked the beginning of the third year in our Medium-Term Management Plan 2017-2020, we readjusted our Medium-Term Management Plan based on factors such as the robust business conditions that had existed until that time, business results that exceeded those of our initial plan, and the increase in capital through the public offering carried out in October 2018. The readjustment involved upward revisions to financial target indicators. Although business performance remained steady until the third quarter of fiscal 2019, business conditions changed drastically from the fourth quarter onwards as a result of the COVID-19 pandemic. The Group's business performance has been greatly affected by the pandemic, primarily in BtoC business operations. As a result, we cannot expect to achieve our financial target indicators for fiscal 2020, the final year of the plan.

In the readjustment to our Medium-Term Management Plan, we added EPS and ROE as new indicators for increasing shareholder value (Figures 5 and 6). We have established the policy of aiming to improve EPS growth and ROE through strengthening our earning power while maintaining financial discipline with a view to further improving shareholder and corporate value. Although both EPS and ROE are expected to fall for fiscal 2020 as a result of the drastic changes in the present business environment, the Group's stance of aiming to improve shareholder and corporate value in the medium to long-term remains unchanged. With regard to ROE, we feel that it will be necessary to make a conscious effort to achieve a level of 8%, while keeping shareholder capital costs in mind. In order to improve EPS and ROE, we will continue to work on three missions: to grow net earnings, to increase return on assets (ROA), and to maintain financial discipline (Figure 1).

To achieve these missions, it is essential to increase the profitability of each business. In fiscal 2020, however, we are facing challenging conditions, in which profitability is expected to worsen for all business segments. With respect to our business portfolio strategy going forward, we are planning to discuss dividing the current seven business categories into three: Asset Utilization Businesses, Stock Utilization Businesses and Strategic Businesses. We will advance this

discussion along with the medium- and long-term management plan that we are currently drafting, while carefully determining the impact of With-COVID-19 and Post-COVID-19 conditions on each business.

Achieving sustainable growth requires a stable financial base, and maintaining financial discipline is essential. Under such uncertain business conditions, the importance of these requirements is increasing even further. The Group has adopted debt-to-equity ratio as an indicator of financial discipline, and has set a target of 2.3x for this indicator. In fiscal 2019, we achieved a debt-to-equity ratio of 2.3x as a result of an expansion of capital, partly due to the public offering carried out in fiscal 2018 (Figures 2 and 3). In fiscal 2020, our debt-to-equity ratio will rise since interest-bearing debt is expected to increase, partly due to a decrease in cash flow as a result of worsening business performance. In the medium-term however, we are still considering a guideline level of 2.3x. Moving forward, we will control our debt-to-equity ratio based on increases in equity due to earnings for the period. Our policy for investment capabilities created through increases in equity is to direct them towards excellent properties, particularly in the Greater Shibuya Area. Our current rating with the Japan Credit Rating Agency (JCR)'s Long-term issuer Rating Scale is an A rating. By maintaining this rating, we can achieve stable financing (procurement of capital) and achieve our investment plans with regard to large-scale redevelopments and other projects.

For our capitalization strategy, we will seek to secure shareholder returns by improving ROE and achieving stable growth of EPS. Our basic policy for shareholder returns under the Medium-Term Management Plan is to achieve a dividend payout ratio of 25% or higher, while continuing to maintain stable dividend payouts. Our aim is to deliver shareholder returns through increased dividend payments by steadily growing our net earnings. The dividend payout ratio in fiscal 2019 was 29.8%, which was the seventh consecutive increase (Figure 7). Although net earnings are also expected to decrease for fiscal 2020, we plan to make decisions on dividends from a comprehensive standpoint, such as by maintaining dividend payouts at a stable level.

Figure 2. Changes in Equity and Interest-bearing Debt

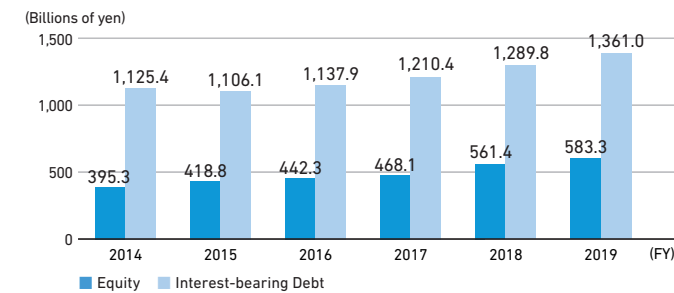


Figure 3. Changes in Debt-Equity Ratio

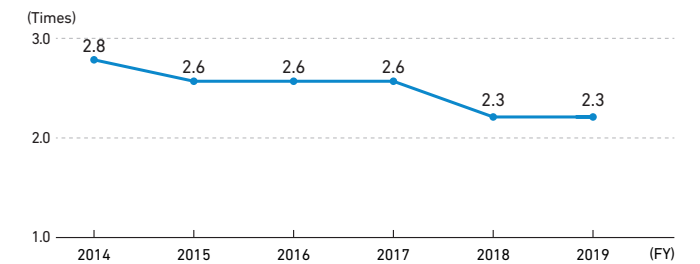


Figure 4. Changes in EBITDA Ratio

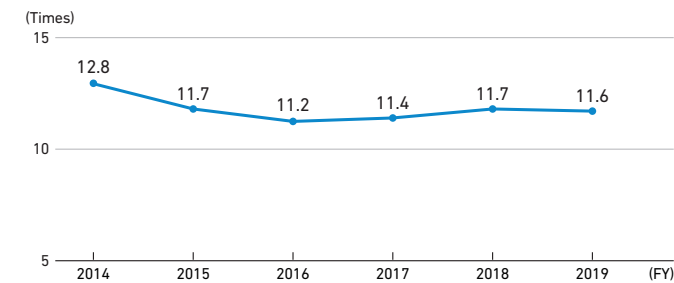


Figure 5. Changes in EPS

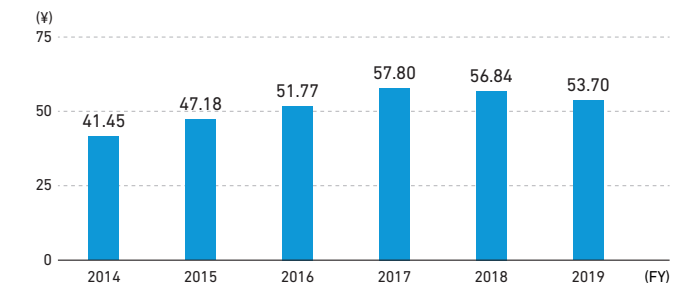


Figure 6. Changes in ROE

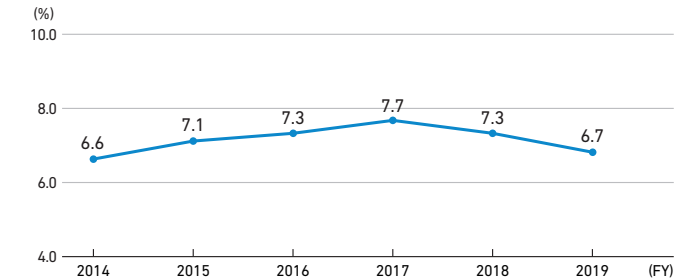
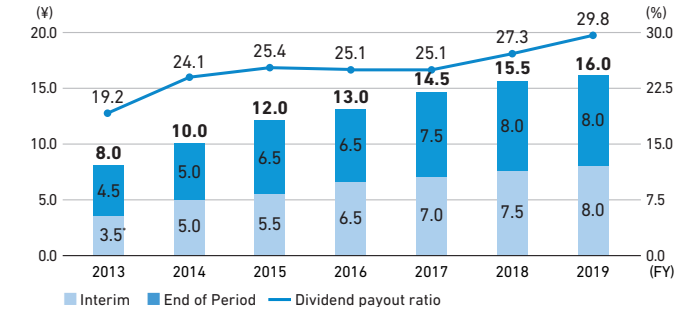
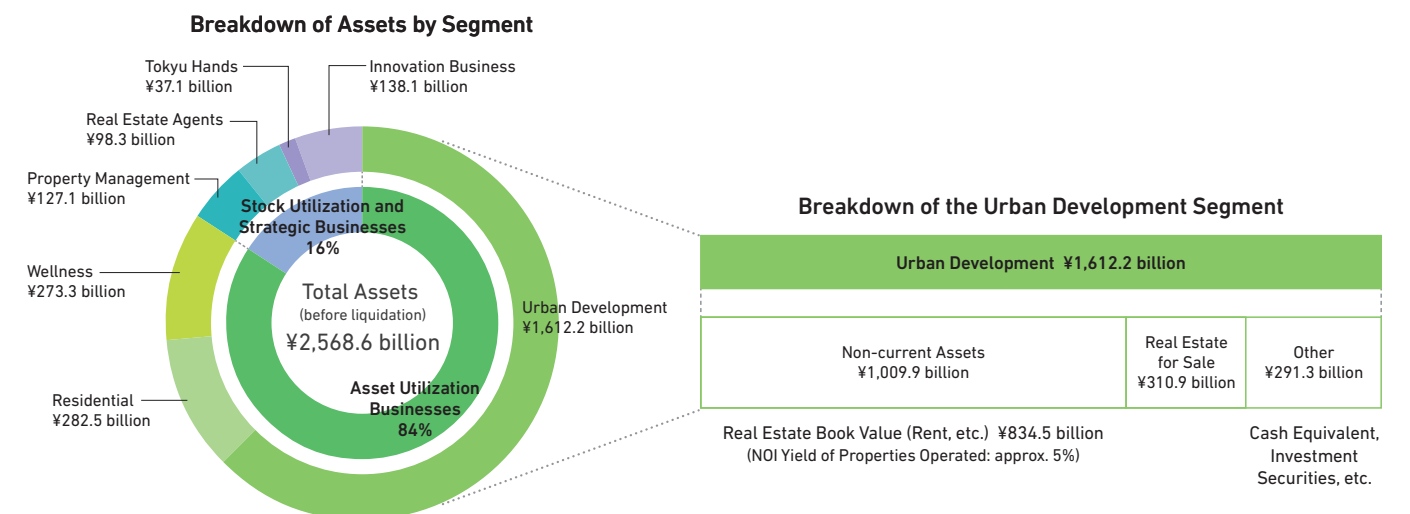
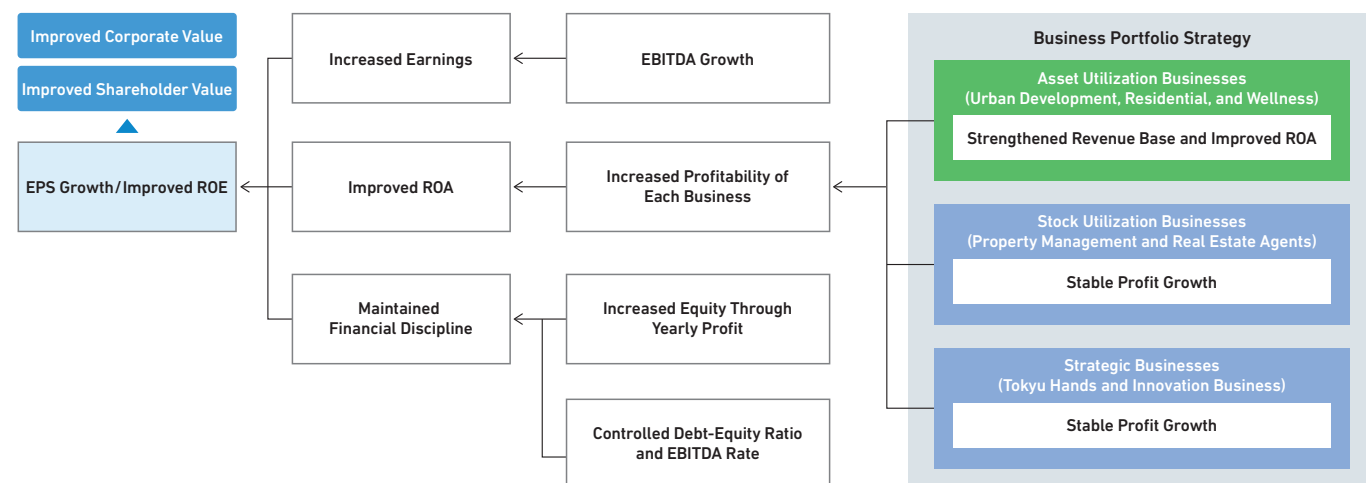


Figure 7. Changes in Dividends (Per Share)



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

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



Foundations Supporting Our Sustainable Growth

Financial Analysis

Operating Results

Summary of Results

- The results for fiscal 2019 include an operating revenue of ¥963.2 billion (6.8% increase from previous year), an operating profit of ¥79.3 billion (1.1% decrease), an ordinary profit of ¥67.5 billion (4.6% decrease) and a profit attributable to owners of parent of ¥38.6 billion (3.1% increase).
- Performance was solid until the third quarter, as conditions in the real estate market remained robust. In the fourth quarter, however, performance was affected by the COVID-19 pandemic, ultimately resulting in an increase in revenue with a decrease in operating profit.
- Profit attributable to owners of parent increased for the seventh consecutive term since the Group shifted to a holdings system, setting a new record for net earnings.

	(Billions of yen)			
	FY2017	FY2018	FY2019	Comparison
Operating revenue	866.1	901.9	963.2	61.3
Operating profit	77.5	80.2	79.3	(0.9)
Ordinary profit	68.7	70.7	67.5	(3.2)
Profit attributable to owners of parent	35.2	37.5	38.6	1.2
EBITDA multiple*1	11.4 times	11.7 times	11.6 times	(0.1)
ROA	3.7%	3.5%	3.3%	(0.3)P
ROE	7.7%	7.3%	6.7%	(0.5)P

Operating Revenue/Operating Profit by Segment

- Although there were increases in both revenue and profit for the Urban Development, Residential, Property Management and Real Estate Agents segments for fiscal 2019, there were decreases in both revenue and profit for other segments, including the Wellness and Tokyu Hands segments, which were impacted by the COVID-19 pandemic.

Urban Development Commencement of operations at new properties including office buildings such as SHIBUYA SOLASTA and renewable energy power generation facilities, along with increases on gains on the sale of buildings to investors resulted in an increase in both revenue and profit.

Residential An increase in the total number of condominium properties sold resulted in an increase in both revenue and profit for this segment.

Property Management There was an increase in both revenue and profit owing to an increase in construction sales, in addition to an increase in management revenue for condominiums and buildings. As of fiscal 2019, detached housing renovation business has been transferred to this segment from the Innovation Business segment.

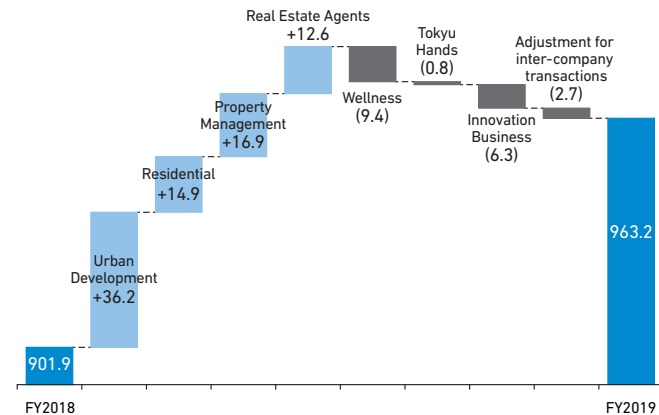
Real Estate Agents There was an increase in both revenue and profit due to an increase in real estate sales, in addition to increases in the number of transactions taking place in the retail and wholesale departments of the real estate sales agent division.

Wellness Although resort facilities and urban hotels were in operation throughout the fiscal year, a reactive decrease due to the handing over of co-owned shares of a membership resort hotel coupled with poor business performance at various facilities owing to the effects of the COVID-19 pandemic during the fourth quarter resulted in a decrease in both revenue and profit.

Tokyu Hands While revenue increased primarily at existing stores until the second quarter, the impact of the consumption tax hike from the third quarter onwards compounded with the effects of the COVID-19 pandemic resulted in a decrease in both revenue and profit.

Innovation Business Despite an increase in the number of condominium sales posted in Indonesia, other factors such as the transferal of the detached housing renovation business to the Property Management segment and the decrease in sales of properties from overseas operations resulted in a decrease in both revenue and profit for the segment.

Operating Revenue by Segment
(Billions of yen)



Operating Profit by Segment
(Billions of yen)



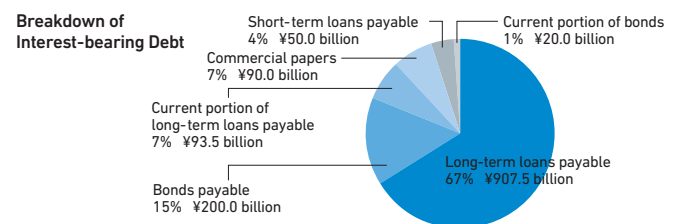
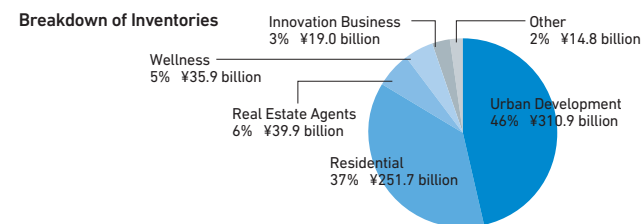
*1. EBITDA multiple: Interest-bearing debt/EBITDA (Operating profit before depreciation)

Financial Position

Assets, Liabilities, and Total Net Assets

- Total assets at the end of fiscal 2019 were ¥2 trillion 487.4 billion, an increase of ¥82.1 billion compared to the end of the previous fiscal year. There was an increase in land and buildings for sale due to investments primarily in the Urban Development and Residential segments, as well as an increase in fixed assets accompanying the progress of large-scale development properties and various other properties.
- Total liabilities were ¥1 trillion 893.1 billion, an increase of ¥56.6 billion compared to the end of the previous fiscal year, mainly due to an increase in interest-bearing debt. Total net assets were ¥594.2 billion, an increase of ¥25.5 billion from the end of the previous fiscal year, chiefly due to an increase in retained earnings.

	(Billions of yen)			
	FY2017*2	FY2018	FY2019	Comparison
Real estate for sale	473.7	568.0	658.0	90.0
Property and equipment, Intangible assets	1,165.6	1,142.4	1,192.7	50.4
Goodwill	82.6	77.1	71.7	(5.4)
Other investment	258.1	294.4	312.2	17.8
Other	193.2	323.3	252.7	(70.6)
Total assets	2,173.2	2,405.2	2,487.4	82.1
Interest-bearing debt	1,210.4	1,289.8	1,361.0	71.2
Other	487.5	546.7	532.0	(14.7)
Total liabilities	1,697.9	1,836.6	1,893.1	56.6
Total net assets	475.3	568.7	594.2	25.5



Market Value Appraisal for Leased Properties

- The carrying value at the end of fiscal 2019 for leased properties, including office buildings and commercial facilities, was ¥834.5 billion, with a market value of 1 trillion ¥91.5 billion – a difference of ¥257.1 billion. Properties that are planned but not yet opened (¥74.7 billion at the end of fiscal 2019) are not included in year-end market value or carrying value, as it is difficult to determine their value.*3

	(Billions of yen)			
	FY2017	FY2018	FY2019	Comparison
Carring value	791.4	816.1	834.5	18.3
Market value	937.1	1,061.5	1,091.5	30.0
Difference	145.7	245.3	257.1	11.7

Cash Flows

- Cash flows from operating activities in fiscal 2019 decreased by ¥6.7 billion, partly due to an increase in inventory assets, while cash flows from investing activities decreased by ¥147.2 billion, due in part to fixed asset investments in office buildings, commercial buildings and other fixed assets. In order to compensate for this decrease in investment funds, cash flows from financing activities increased by ¥65.1 billion due to the procurement of interest-bearing debts and other sources of funding.

	(Billions of yen)			
	FY2017	FY2018	FY2019	Comparison
Cash flows from operating activities	12.3	44.5	(6.7)	(51.2)
Cash flows from investing activities	(96.4)	(60.4)	(147.2)	(86.8)
Cash flows from financing activities	82.4	139.1	65.1	(74.0)

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 2019, we've achieved an increase in dividends over 7 consecutive terms through a steady increase in profit attributable to owners of parent.

	(yen)			
	FY2017	FY2018	FY2019	Comparison
Dividends per share	14.50	15.50	16.00	0.50
EPS (earnings per share)	57.80	56.84	53.70	(3.14)
Dividend payout ratio	25.1%	27.3%	29.8%	-

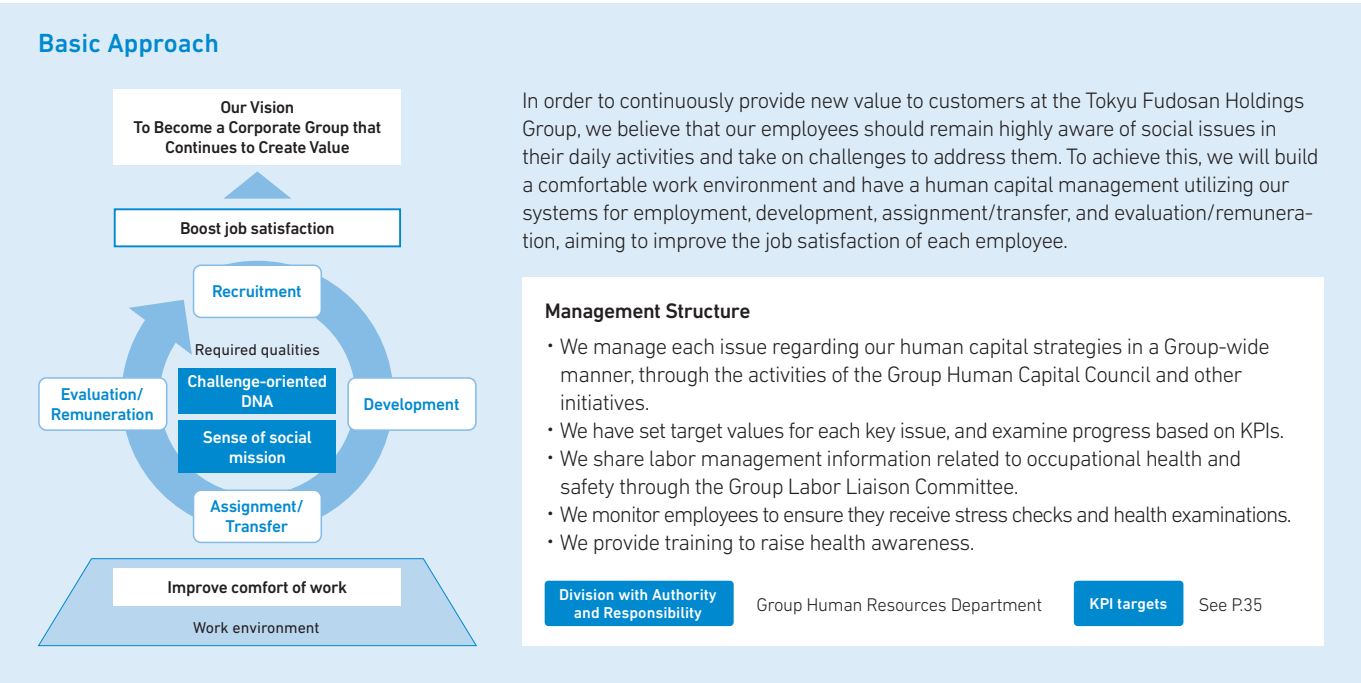
*2. The Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) took effect at the beginning of the first quarter of fiscal 2018, and this Accounting Standard was applied retroactively to the main management indexes from fiscal 2017

*3. The Residence Tower of TOKYU PORTCITY TAKESHIBA, which will open in fiscal 2020, is included because its market value can now be determined. The Office Tower has been included since fiscal 2018

Foundations Supporting Our Sustainable Growth

Human Capital Strategy

To improve our competitiveness it is important that we cultivate an organizational climate under which the spirit of Challenge-oriented DNA is inherited and vitality is generated. Our human capital strategy seek to develop an organizational climate that empowers employees who understand their missions in society to act, with each employee to demonstrating their capabilities to the full.



Initiatives on Human Capital Management

Recruitment Our policy is to employ human capital who are willing to take on challenges and have a sense of mission and responsibility to solve social issues. Each company employs human capital that have the qualities required by the Group. We also hold Group joint briefing sessions and similar events to create opportunities to recruit and assess a wide range of candidates. In these activities, we attach importance to diversity of values during recruiting activities.

Development We develop human capital who identify social issues and customer needs to suggest new sources of value. We also provide specialized training to develop specialists in each business domain. We intend to improve the DX literacy of our employees through e-learning and other training initiatives, in addition to creating horizontal relationships beyond boundaries that exist between individual companies through joint new employee training programs and other similar efforts.

Evaluation/Remuneration We have established evaluation and remuneration systems that are appropriate for each company and business. Our evaluation is based on not only the achievement of short-term profit targets and initiatives taken from medium- and long-term perspectives, but also activities maintaining an awareness of social issues and a stance that takes on challenges by thinking outside the box. We evaluate individuals from multiple perspectives, including through behavioral evaluations, evaluation of the capabilities they demonstrate, a 360-degree evaluation, and other methods, in our attempt to ensure their development as human capital.

Assignment/Transfer We provide diverse options to support the development of individual employees. Each company has introduced a rotation system, FA/open recruitment program, a Challenge Post system, and other initiatives that enable us to assign diverse, autonomous individuals to the right positions, to increase our organizational strength.

Creation of an Environment for Greater Comfort at Work

Basic Policy With an awareness of the PDCA cycle, we are moving ahead with initiatives to create an environment that enables the Group's diverse human capital to enjoy their work.

Health and Productivity Management The good physical and mental health of employees is the foundation for the sustainable growth of a company, and the extension of healthy life expectancies leads to the fulfillment of demands from society. Tokyu Fudosan Holdings Corporation was selected by the 2020 Health & Productivity Stock Selection program in recognition of the Group's diverse initiatives. In addition, SHIBUYA SOLASTA, where our headquarters is located, has obtained preliminary WELL certification.

Work-Style Reform To improve employee productivity, we are reinforcing our IT infrastructure and improving business efficiency through DX, including a shift to paperless offices and the introduction of RPA. We are also moving ahead with corporate climate reforms with the goal of creating a vibrant workplace.

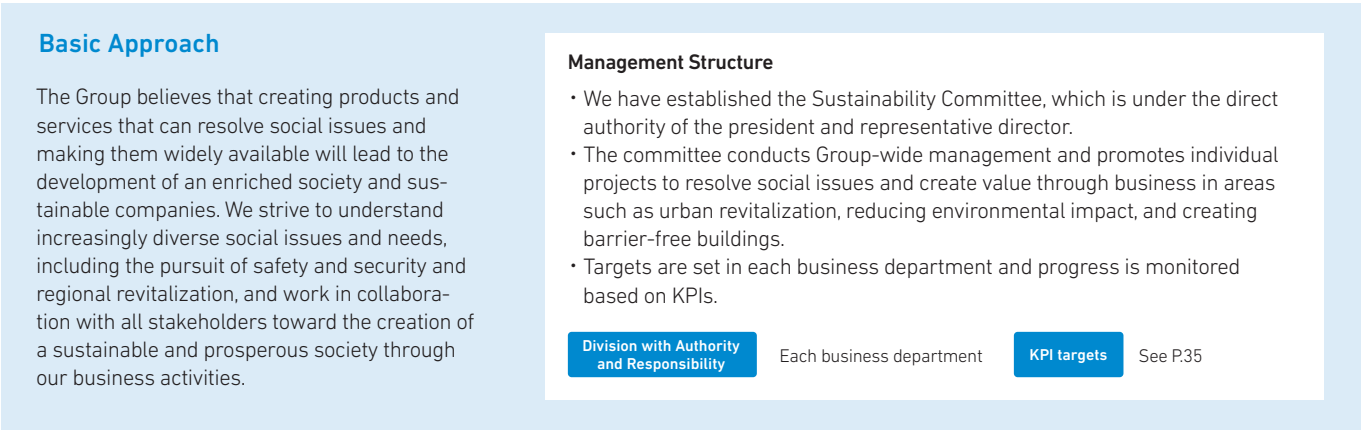
Diversity and Inclusion We respect the diversity of our employees as we work to utilize our human capital. We have been selected to be a constituent of the MSCI Japan Empowering Women Index (WIN) in recognition of our initiatives promoting the active participation of women.

Improving Engagement We regularly conduct engagement and employee satisfaction surveys, which are designed with the characteristics of each company firmly in mind. We visualize engagement between the organization and its employees to identify issues as they arise aiming to increase organizational strength.

Foundations Supporting Our Sustainable Growth

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.



Initiatives to Ensure Respect for Human Rights

Human Rights Policy and Sustainable Procurement Policy At the Tokyu Fudosan Holdings Group, we have established a Human Rights Policy and a Sustainable Procurement Policy in accordance with the Group's Code of Conduct. We move ahead with business activities to build a sustainable, prosperous society in every stage of the supply chain.

Enhancement of Technical Intern Training for Foreigners In 2017, TOKYU BLDG. MAINTENANCE began working with the Technical Intern Training Program in its building cleaning business. As of March 2020, the company has accepted 47 foreign technical interns from Vietnam and Indonesia. The parent company of TOKYU BLDG. MAINTENANCE, TOKYU COMMUNITY CORP., has subsidiaries in these countries. TOKYU BLDG. MAINTENANCE is working to strengthen and enhance its programs, with a view toward these interns applying their knowledge and skills in their home countries and taking other initiatives.



SDG Initiatives

Support for SDG Education for Students In April 2020, NATIONAL STUDENT INFORMATION CENTER CO., LTD. began its SDGs PBL Program, an educational program for students living in Kuritaya Academia, a Kanagawa University residence hall for international students. The goal of the program is to develop human capital who work toward the achievement of the SDGs. NATIONAL STUDENT INFORMATION CENTER CO., LTD. plans and executes basic and practical programs, facilitates overall training programs, and provides other support, in combination with managing the residence hall.

Specific SDG Initiatives TOKYU HANDS INC. engages in specific SDG initiatives through its business, including the introduction of products related to the SDGs. In addition, the company promotes internal understanding of the SDGs and improves its employees proposal activity through activities including training to improve the capabilities of general managers, store managers, and higher-ranked employees and the production of videos by employees to raise their awareness of the SDGs.

Pursuit of Safety and Security

Addressing the Issue of Vacant Homes In 2019, Tokyu Housing Lease Corporation launched its Prepaid Lease, a subleasing plan intended for the owners of condominiums and detached housing in the 23 wards of Tokyo and the areas served by Tokyu Railway Lines. This plan enables a part of five years of rent to be prepaid to owners on the condition that the money is used for the renovation of the property. This gives owners a financial ability they would not have had on their own to renovate their properties, thus promoting the active utilization of vacant homes.

Regional Revitalization

Demonstration of MaaS MaaS, one of the diverse means of providing transportation that is seen as promising, is a service that solves social issues in areas with aging populations. For three months from November 2019, TOKYU LAND CORPORATION and Tokyu Fudosan R&D Center Inc. conducted a MaaS demonstration experiment of between the Shibuya area and Kimi-no-Mori Golf Club. The purpose of this experiment was to make suburban resort facilities accessible to users in urban areas, thereby enriching the user experience. In addition, TOKYO PORTCITY TAKESHIBA, was commissioned by the Tokyo Metropolitan Government to conduct the Demonstration for the constructing a social implementation model of MaaS project. It is working on the project that is aimed at implementing a new mobility service.

Creation of Bustling Activities The Tsuruma Park Life Partners under which ISHIKATSU EXTERIOR INC. serves as the representative company, has been commissioned by the city government of Machida to implement the designated works at Tsuruma Park. Tsuruma Park is a vast urban park approx. 7.1 hectares in area. It is a part of the Minami-Machida Grandberry Park, which has been redeveloped by being integrated with commercial facilities directly connected to the station and other facilities. ISHIKATSU EXTERIOR INC. aims to leverage the expertise it has cultivated to create new bustling activity in the area.



Foundations Supporting Our Sustainable Growth

Environment

The Tokyu Fudosan Holdings Group recognizes that environmental issues such as climate change are important issues that have a major impact on business continuity. Based on our Environmental Vision established in 1998, we are implementing ongoing initiatives to address environmental issues through our business activities.

Basic Approach

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



Management Structure

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

Division with Authority and Responsibility

Related departments in each company

KPI targets

See P.35

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

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

Three Viewpoints

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

Five Environmental Issues

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

Climate Change

Renewable Energy Business TOKYU LAND CORPORATION conducts the renewable energy business under the brand name ReENE and contributes to the reduction of CO₂ emissions through solar power and wind power generation.

Participation in RE100 In 2019, TOKYU LAND CORPORATION joined the global corporate leadership initiative RE100, with a commitment to source 100% renewable energy by 2050.

Initiatives to Reduce CO₂ Emissions SHIBUYA SOLASTA, which was developed by TOKYU LAND CORPORATION, was placed in the S Rank of the CASBEE Smart Wellness Office Certification, a new Comprehensive Assessment System for Built Environment Efficiency (CASBEE) for certifying office buildings designed in consideration of both health and the environment. TOKYU COMMUNITY CORP.'s Tokyu Community Technology Training Center NOTIA acquired Nearly ZEB certification under the Building-Housing Energy-efficiency Labeling System (BELS) led by the Ministry of Land, Infrastructure, Transport and Tourism.

Issuance of Green Bonds To enhance our environmental initiatives, in January 2020 we issued green bonds worth 10 billion yen in relation to SHIBUYA SOLASTA and ReENE Matsumae Wind Power Plant expenses. In addition, Activia Properties Inc. issued green bonds twice, totaling 9.0 billion yen, in fiscal 2019, and Comforia Residential REIT, Inc. issued 1.5 billion yen of green bonds in July 2020.

Biodiversity Conservation

Harmony with Nature SHIBUYA SOLASTA, where TOKYU LAND CORPORATION is a tenant, has established an ecological network and set up nest boxes to enable Parus major, birds commonly known as great tits, to nest on the grounds. The building zoning plan features a diverse selection of plant species on its rooftop terrace and the terraces on each floor to permit birds, insects, and other living organisms to make the property their home. In recognition of this initiative, the building acquired ABINC and *Edo-no Midori Touroku Ryokuchi*, registered green area in Tokyo certifications.

Planting Greenery in Urban Areas TOKYO PORTCITY TAKESHIBA, which was developed by TOKYU LAND CORPORATION and KAJIMA CORPORATION, includes Skip Terrace, which features diverse greenery and open spaces arranged in a stair-like manner. The Skip Terrace highlights *Takeshiba Shin Hakkei* (the eight new landscapes of Takeshiba), which are eight landscaped areas on the themes of the sky, bees, rice paddies, fragrances, vegetable gardens, water, islands, and rain. In creating this green environment, TOKYO PORTCITY TAKESHIBA, also furthers urban biodiversity initiatives in Japan.



Paddy field on the 4th floor of Skip Terrace



Initiatives on the Task Force on Climate-related Financial Disclosures (TCFD)

Support for TCFD Recommendations

We believe that climate change has a significant impact on our business activities and creates new business opportunities as well as risks. In light of the importance of climate-related financial disclosures, we announced our support for the TCFD recommendations* in March 2019. We also participate in the TCFD Consortium, an organization in Japan that discusses TCFD initiatives.



* TCFD recommendations are recommendations from the the Task Force on Climate-related Financial Disclosures, which was established in 2015 by G20's Financial Stability Board, requiring that companies investigate and disclose the financial impact of climate change.

Governance

At the Tokyu Fudosan Holdings Group, we have established the Tokyu Fudosan Holdings Sustainability Committee comprising operating officers and chaired by the president and representative director of Tokyu Fudosan Holdings Corporation. At its regular meetings, this committee evaluates and monitors risks and opportunities related to climate change. Committee agenda items are reported to the Board of Directors for approval.

Strategies

We analyze the risks and opportunities in our businesses created by climate change through the assumption of multiple climate change scenarios with 2030 and 2050 set as target years. Our specific initiatives include the reduction of GHG emissions, promotion of the renewable energy business, efforts to achieve RE100 (100% renewable energy), and the introduction of green bonds.

Assumed environmental changes	Transition risks		Physical risks	
	Introduction of carbon tax		Increasingly serious natural disasters	Rise in average temperature
	Urban areas (2030 scenario) Greater importance of building environmental performance and BCP readiness		Resort areas (2050 scenario) Greater impact of abnormal weather	
2 °C scenario	Competitive advantage of buildings with high environmental performance Generation of carbon tax expenses		Use of renewable energy Tougher GHG emission regulations for building construction and operation	Spread of energy-saving technologies
4 °C scenario	Competitive advantage created by proactive introduction of BCP measures Increased damage to buildings caused by winds and floods		New business opportunities created using existing assets Constraints on construction sites and building design caused by sea level rise and storm surges	
	-		Differentiation from other facilities through the introduction of environmentally friendly equipment, etc. Shorter seasons for ski resorts attributed to reduced snowfall	

2 °C scenario: To keep the climate change within a temperature rise of up to 2 °C, policies are strengthened and laws and regulations are made tougher, resulting in greater use of renewable energy. A scenario including increased regulatory risks is assumed.

4 °C scenario: Progress in decarbonization is not achieved, and the average temperature rises by around 4 °C, resulting in increasingly serious natural disasters. A scenario including increased transition risks is assumed.

Positive financial impact

Negative financial impact

Risk Management

Climate change risks which impact the Tokyu Fudosan Holdings Group are identified, assessed, and managed by the entire Group in an integrated manner through joint meetings of the Sustainability Committee and the Risk Management Committee. We have set KPI targets related to climate change issues by setting 2020 and 2030 as target years, in accordance with the material issues specified in the Medium-Term Management Plan and the Environmental Vision of the Tokyu Fudosan Holdings Group. We assess risk and manage the progress of related initiatives based on the KPI targets.

Indicators and Targets

In the process of assessing and managing climate change risk, we set and disclose indicators and targets regarding CO₂ emissions, energy consumption, water consumption, waste emissions, rate of acquisition of environmental certification among major buildings, rate of the greening of buildings, and the area of the forests that we preserve. We also ensure the accuracy and appropriateness of our Scope 1, 2, and 3 CO₂ emissions through third-party verifications.

Foundations Supporting Our Sustainable Growth

Corporate Governance

The Tokyu Fudosan Holdings Group places the utmost emphasis on ensuring thorough risk management and strict compliance and are enhancing the transparency and accountability of our management. We are constantly endeavoring to strengthen corporate governance in a bid to ensure bold and timely decisions.

Message from the Chairman of the Board of Directors

With the goal of being a corporate group that continues to create value, the Tokyu Fudosan Holdings Group is working to achieve sustainable growth and the medium- and long-term improvement of our corporate value under our Sustainability Vision, which states, “We solve issues in the society through our business activities and work with stakeholders to realize a sustainable society and growth.” We are also working to build a governance system that achieves the goal of more agile group management based on sound management and transparency.

Seven years after transitioning to a holding company structure, the environment surrounding corporate management has changed significantly. Society demands good corporate governance more strongly than ever before. In anticipation of this trend, we established the Group Corporate Governance Guidelines in December 2018. We have since continued to push ahead with the optimization of the governance system in view of social conditions and the global business environment.

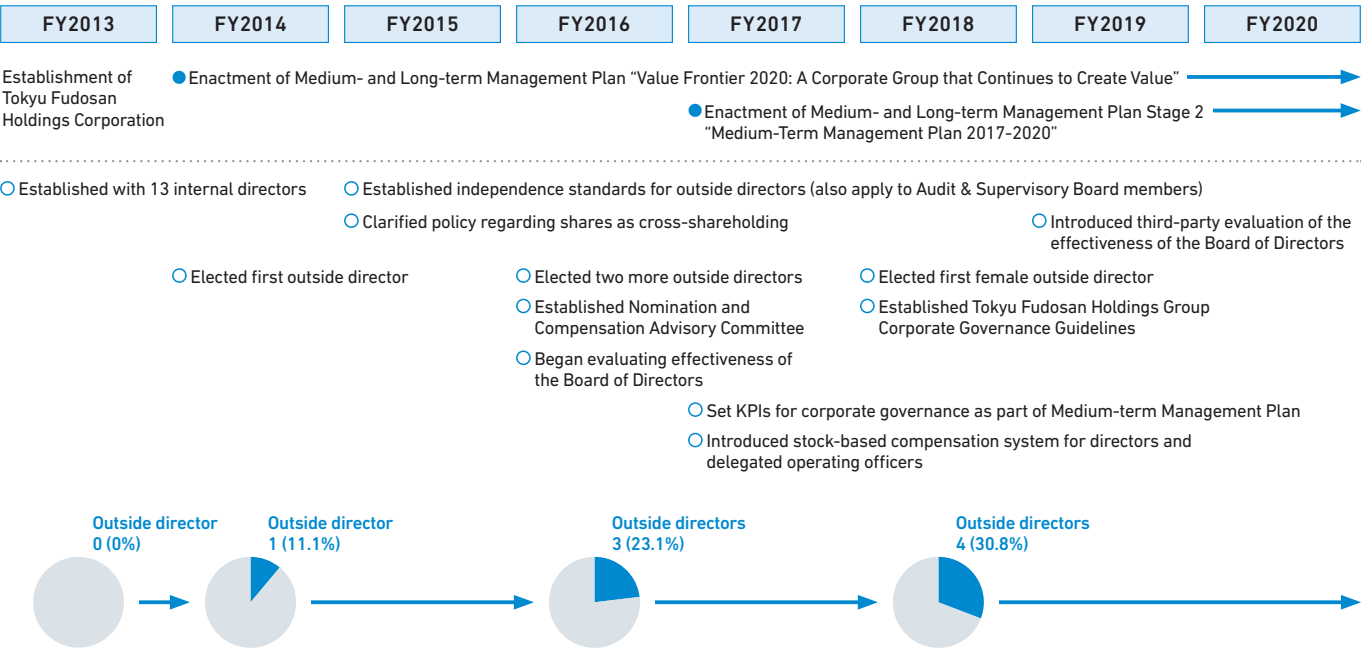
While the evaluations of our Board of Directors’ effectiveness has mostly been excellent, we are aware that its ability to supervise the organization needs to be improved in response to the dramatic changes in the business environment, including the COVID-19 pandemic and digital transformation (DX). We will seriously address the issues in as we continue to improve the Board of Directors’ effectiveness.

Moving forward, we will continue to provide value to our stakeholders by implementing measures to strengthen the supervisory capabilities of the Board of Directors and enhance corporate value to achieve long-term sustainable growth.



Kiyoshi Kanazashi
Chairman, Chairman of the Board of Directors
Tokyu Fudosan Holdings Corporation

Progress in Strengthening Corporate Governance



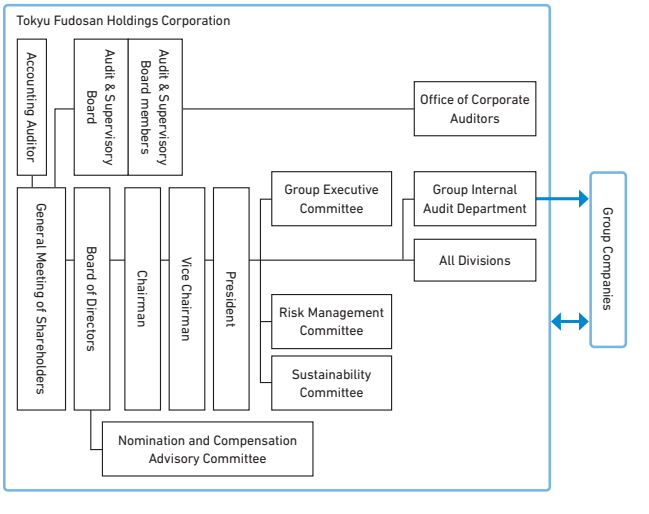
Basic Approach

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



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 fairness and transparency of procedures for matters related to the election of directors and operating officers and matters relating to their compensation. The Board of Directors consults the Nomination and Compensation Advisory Committee before passing resolutions on matters relating to the nomination of director candidates and operating officers and matters relating to the compensation of directors and operating officers, etc., among other matters. In fiscal 2019, the Nomination and Compensation Advisory Committee met twice, with 100% of its members attending.

Composition of Nomination and Compensation Advisory Committee (as of June 25, 2020)
Koichi Iki (Independent Outside Director, Chair of Nomination and Compensation Advisory Committee)
Makoto Kaiami (Independent Outside Director)
Kiyoshi Kanazashi (Chairman)
Hironori Nishikawa (President and 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. In

addition, regular internal training on laws and regulations, ESG, and other themes is given to officers, aiming to improve their knowledge for the good of future management. In fiscal 2019, training was held focusing on the theme of environmental problems.

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.

Succession Plan Director candidates are elected based on the belief that directors should have integrity, moral character and good health. Each candidate’s qualification regarding the knowledge, judgment, and management capabilities they have acquired through their work experience as a person responsible for two or more segments, based on their achievement of management indexes in the medium and long-term management plan. At the same time, their aptitude is evaluated objectively by a third party. Then, the president and representative director creates a proposal regarding the members of senior management for the following fiscal year and consults the Nomination and Compensation Advisory Committee before a decision is made by the Board of Directors.

Corporate Governance

Strengthening the Functions of the Board of Directors and Ensuring Its Effectiveness

Evaluating the Effectiveness 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. 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.

In addition, in fiscal 2019, we introduced a third-party evaluation of effectiveness conducted by a lawyer, who is not our corporate lawyer. The results of this evaluation were that "The continuous initiatives for improving effectiveness are praiseworthy because they have resulted in increased effectiveness." We will continue striving to improve effectiveness.

Diverse Composition We believe that a key to increasing the effectiveness of the Board of Directors is to ensure that board members are diverse in their knowledge, experience and abilities. One precondition for election as director is that candidates have the moral character and integrity required of a director and have no health issues. We also consider the overall balance of the board to ensure sufficient gender diversity and diversity in other attributes.

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. Candidates for outside director are selected based on the premise that they will not hold concurrent positions as a director, corporate auditor, or executive officer at more than five listed companies other than the Company.

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. Their level of contribution to the achievement of plans, ESG initiatives, and other initiatives is also considered comprehensively.

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 2019.

Category	Number of Persons	Total Amount of Remuneration (Millions of yen)
Directors*1	15	239
(of which, independent outside directors)	5	43
Audit & Supervisory Board members	5	67
(of which, outside Audit & Supervisory Board members)	2	9
Total	20	306
(of which, outside officers)	7	52

*1. Includes the two directors who retired and an auditor who resigned at the close of the 6th Ordinary General Meeting of Shareholders held on 26th June 2019.

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.

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

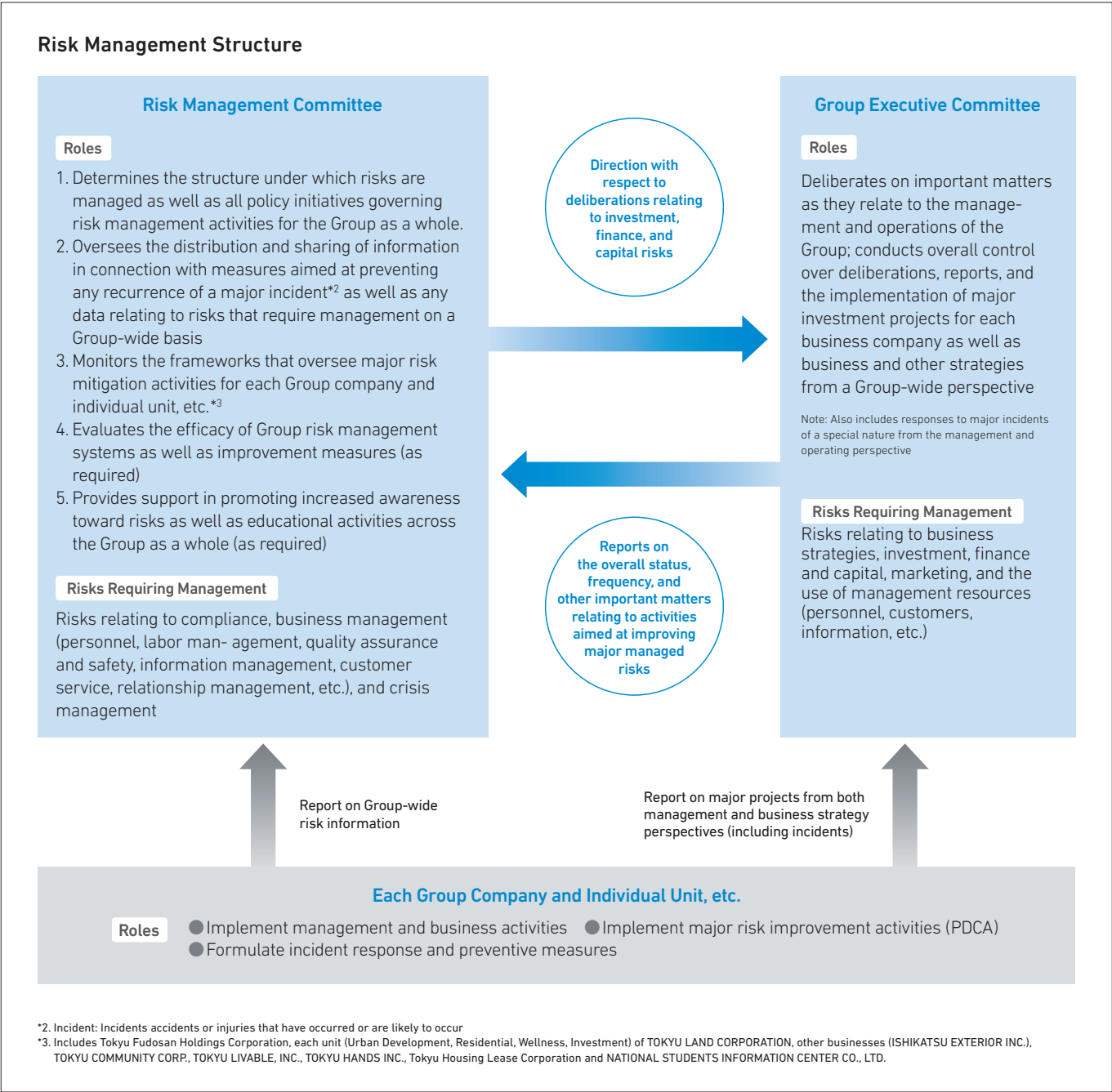
The Company makes every effort to clearly identify all major risks as they apply to the Group as a whole and takes systematic and continuous steps to implement all necessary measures on a priority basis in order to comprehensively manage all risks that have the potential to hinder the Group from achieving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

Highly significant risks

- Investment risks
- Financial and capital risks
- Personnel and labor risks
- Climate change risks

Other risks

- Legal and compliance risks
- IT strategy risks
- Information management and leakage risks
- Crisis management risks



Corporate Governance

Risk Management

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 capital
- 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 whistleblowing relating to violations of laws and regulations, internal rules, and the Tokyu Fudosan Holdings Group Code of Conduct. This helpline can be used by all Group employees (including contract employees, temporary employees, and part-time workers). There is an internal whistleblowing office that allows anonymous reports to be made and an external whistleblowing office, where cases are handled by a lawyer who is not our corporate lawyer. The aim of these offices is to discover and rectify violations at the earliest possible time. A total of 151 consultations and reports including consultations and questions on minor matters were received by the Company and Group companies in fiscal 2019.

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.

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.

Foundations Supporting Our Sustainable Growth

Creating the Future Together with Outside Directors



Makoto Kaiami

Outside Director
(Independent Officer)

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.

Koichi Iki

Outside Director
(Independent Officer)

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.

Saeko Arai

Outside Director
(Independent Officer)

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.

Michiaki Ogasawara

Outside Director
(Independent Officer)

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.

The August 21 outside director roundtable talk was held online due to the COVID-19 pandemic. In this session, our outside directors energetically participated in a long discussion, expressing their hopes for the Group’s future and presenting problems. They also provided frank opinions and recommendations in their role as outside directors.

Board of Directors during the COVID-19 Pandemic

Iki We, the outside directors, participated in the Board of Directors’ meetings via the internet due to the COVID-19 pandemic. It is different from meeting face-to-face, but I felt that each time I participated in a meeting, I got more used to it. I hope that our communications continue to evolve as we adapt to the realities of the situation.

Ogasawara Before the pandemic, there were already opportunities to receive explanations of agenda items submitted to the Board of Directors prior to meetings. Now we also receive reports about the evolving COVID-19 situation. Through these efforts, the Company strives to share information with us, which is praiseworthy.

Arai I think that online meetings are an effective means of communication in the digital era, although we need to make the big adjustment to communicating only through voice and a limited amount of visual information.

Kaiami Online communication has its own benefits. It can be used in emergencies. I think, however, that people who wish to participate in the meeting in person could be allowed to now, because the Company’s infection control measures seem to be highly reliable.

Arai It is true that, as far as discussion is concerned, the division between online and offline teams creates inconvenience for us in a way. I also think that comments made by directors during board meetings decreased when held online.

Iki While many other companies are increasing opportunities to exchange opinions, our inside directors do not make many statements about topics outside of the fields they are in charge of. I think that there may be interactions which are different from those in the Executive Committee meetings.

Kaiami It is a problem that few opinions are expressed at Board of Directors’ meetings because the agenda items have been thoroughly discussed at the Executive Committee meetings, but this same problem exists at other companies as well. If inside directors were to express their slightly different, if not opposing, opinion, it would facilitate discussion for outside directors.

Arai Exactly. This would increase the opportunities for outside directors to monitor directors. Some companies create opportunities for discussion separately from Board of Directors’ meetings.

Iki I think that if the ratio of outside directors is increased, oversight will be increased and discussions during the Board of Directors’ meetings will be more active. We need to continue to think about this.

Round-table talks by outside directors

Roles of the Group as a Part of Social Infrastructure

Ogasawara The COVID-19 pandemic continues to impact every aspect of society, and many people in the Group are involved in work that is essential to the roles of the Company as an essential piece of social infrastructure. I would like to express my respect for these people, who continue to work hard to execute businesses in the current tough conditions.

Kaiami I agree with you. I think attention should be paid to the Group's businesses that address social issues, including renewable energy, logistics facilities, and senior housing. I think that these businesses also secure profitability. On the other hand, there are some Group businesses that leave something to be desired. I would like to have specific discussions about them with the directors.

Makoto Kaiami: He has a wealth of legal expertise and practical experience as a legal professional. Mainly, his strength is making recommendations about governance and compliance.



Ogasawara Compared to other comprehensive developers, the Group has an extremely wide business domains, which can be both positive and negative. The Group is affected by COVID-19 more greatly than other companies, partly because it operates a large number of facilities in the Wellness business and other businesses.

Iki Facility operation, a distinctive feature of the Group, is an extremely labor-intensive business. If current work styles are left unchanged, the profitability of this business will not improve, and the Group may be required to withdraw from the market in the near future. The people involved in the operation of facilities of course understand that their ability to adopt technological innovations will determine their ability to succeed. This process also involves digital transformation (DX). It is necessary to adopt new technologies, change styles, and transform the business into one that is less labor intensive. The key lies in how quickly they proceed with this process.

Ogasawara To advance DX, it is important to make thorough use of technologies to provide optimal services to customers. This requires flexibility and imagination, which is different than before. In addition, to make maximum use of new technologies, it is important to consider the profit of the Company as a whole, beyond the profits and losses of the individual divisions. It is also necessary for top management to have a strong will to follow through and to build a system that supports the ideas of staff members. I request that they proceed boldly with this.

Increasing Speed as the Key to DX

Arai The DX that you mentioned is an important theme for aggressive governance. Because our competitors are hesitating in this field, it may be a great opportunity if we act quickly. As is apparent from the initiative in Takeshiba, creative measures are devised skillfully within individual projects of the Group. However, the Group's overall strategy is still an issue. To provide services efficiently, we need to consider both profit and service quality. I think that we should continue to suggest new lifestyles that take advantage of DX to society.

Iki In the United States, PropTech has made progress. For example, there are an increasing number of companies which have their real estate agents accompany salespeople remotely via a website in all of their sales activities. Changes have begun to be seen in facility operation and the real-estate sales agent business. Many of these changes must be reflected in the Group's DX strategy. I think that we need to thoroughly review the strategy again, to decide how to build a system to promote DX and a schedule to for proceeding with the transformation. Of course, various external and internal collaborations will be necessary. I request that a specific plan be presented.

Kaiami Hereafter, DX will be an extremely important strategy. I request that the management staff and executives take on this challenge aggressively and boldly. I request that they maintain an aggressive stance and do not hesitate because we can step in and stop if we see some issue.

Expecting the Transformation as a Holding Company

Arai If we break down the ROE, we see that Japan is behind other countries in the securing of a sufficient profit margin. The nature of the Japanese people, who believe that it is not good to make too much profit when others are unable to, is reinforced further by the important perspectives of CSR and ESG investment. However, to be sustainable, a company must earn sufficient profit margins. I think that the content of individual businesses and projects should be scrutinized using common reliable indicators that we should develop for each business.

Saeko Arai: She has practical experience at an IT company and global knowledge on management. She maintains a flexible perspective and is involved in the Company's management with a view toward business strategies that are adapted to the DX era.



Ogasawara As a holding company, it is important to compare the Group's businesses from the viewpoint of ROE and profitability and

reconfirm the social significance of each business from a contemporary viewpoint. In addition, while environmental considerations are called for globally, the pursuit of the eco-friendliness, safety, and security of the properties offered by the Group and the renewable energy business are believed to be more important than ever. I am sure that activities to fulfill these expectations that society has of the Group will improve the value of the Group.

Michiaki Ogasawara: He has a wealth of practical experience as a government administrator involved in information and telecommunications. He gives business management advice that reflects his awareness of solutions for social issues and the roles people and companies have in society.



Iki As a holding company, we need play a role in considering the business portfolio of the Group. In the face of numerous issues, including of course COVID-19, but also the super-aging society and the decrease of the working-age population, we must seriously consider our business portfolio based on the issues we project for five and ten years into the future. We should look at the current figures, as well as the macro environment, predict the shape that society will take on in the future, and think from a multilateral perspective. These are tasks that the Company should work on.

Arai I think that the time has come to review, once again, the overall Group's culture, climate, missions, and other elements as we consider the business portfolio as well. If we are too preoccupied with the idea of urban development, it will remain difficult for us to sort out and organize what we have, because of our adherence to the legacy of the past. We may need to undertake a fundamental review.

Kaiami I think that we should be uncompromising about our policy of solving social issues through our business activities, which is

a good point of the Group. However, I ask that executives create initiatives that they can continue to implement while securing a profit. I request that they proceed boldly with these initiatives. We, outside directors, will proactively support the Group by understanding activities such as aggressive governance.

Arai If DX is aggressive governance, defensive governance is the motivation and ethics of our workers. Increasing their motivation, improving their ethical actions, and instilling a corporate culture in them are essential for the development of our business. What I feel from my external perspective is that employees are making great efforts, and they are devising creative measures for IT. I would like to continue fulfilling my duties as an outside director by considering the Group's role in society.

Ogasawara The Group operates a broad range of businesses, so risk management is very important. Identifying risks in existing business domains and thoroughly considering the appropriateness of new investment projects at each level of management will remain important. As an outside director, I would like to aid the making of appropriate business decisions.

Iki As an outside director, I would like to continue carefully supervising and watching how Tokyu Fudosan Holdings Corporation will face the Group companies. In 2023, the Company will celebrate its 10th anniversary and TOKYU LAND CORPORATION will mark its 70th anniversary. I want to see Tokyu Fudosan Holdings Corporation achieve its transformation by then, by promoting businesses from a long-term perspective. This is what I wish.

Koichi Iki: Leveraging his experience in real estate development, personnel affairs, and other operations, he proactively makes recommendations related to management. Of the Company's current outside directors, his tenure has been the longest.



Response to the Messages from the Outside Directors

Due to the COVID-19 pandemic, the era we are now living in is an era of VUCA. In this rapidly changing environment, I am made aware again of the significance of the existence of the Group, and strongly feel our responsibilities as an entity supporting the infrastructure of society. As a leader of the pure holding company, I will stay oriented on the future and pursue the transformation of Tokyu Fudosan Holdings Corporation by working on the review of our business portfolio and the promotion of DX, both issues that were pointed out, and other initiatives, from the perspective of the total optimization of the Group.

Hironori Nishikawa President and Representative Director



Foundations Supporting Our Sustainable Growth

Management Structure

Directors



Chairman
Kiyoshi Kanazashi
Director, TOKYU CORPORATION
Director, TOKYU RECREATION CO., LTD.



Vice Chairman and Representative Director
Yuji Okuma
Chairman, TOKYU LAND CORPORATION



President and Representative Director
Hironori Nishikawa



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



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



Director
Masashi Okada
President and Representative Director, TOKYU LAND CORPORATION



Director
Shouhei Kimura



Director
Youichi Ota
President and Representative Director, TOKYU LIVABLE, INC.



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)
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

Outside Audit & Supervisory Board Member, SEIREN CO., LTD.
Member of Otemachi Law Office
Outside Director, JAPAN POST HOLDINGS Co.,Ltd.

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.



Outside Director (Independent Officer)
Saeko Arai

Outside Member, Board of Directors, Sumitomo Dainippon Pharma Co., Ltd.
Specially-Appointed Professor, Hakuoh University

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

Outside Director, Daiwa Securities Group Inc.
Chairperson of the Board, Foundation for Multimedia Communications

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.

Directors' Skills Matrix

Director			Expertise and Experience						Member of committee		
Name	Inside / Outside	Gender	Corporate management	Accounting / Financial affairs	Legal affairs / Compliance / Risk management	Overseas businesses	Human resources / Labor relations	IT / Tele-communications / DX	Nomination and Compensation Advisory Committee	Risk Management Committee	Sustainability Committee
Kiyoshi Kanazashi	Inside	Male	●						●		
Yuji Okuma	Inside	Male	●				●				
Hironori Nishikawa	Inside	Male	●		●		●		●	● Chair	● Chair
Hitoshi Uemura	Inside	Male	●			●				●	●
Katsuhide Saiga	Inside	Male	●	●				●		●	●
Masashi Okada	Inside	Male	●							●	●
Shouhei Kimura	Inside	Male	●	●		●		●		●	●
Youichi Ota	Inside	Male	●				●			●	●
Hirofumi Nomoto	Inside	Male	●								
Koichi Iki	Outside (independent)	Male	●	●			●		● Chair		
Makoto Kaiami	Outside (independent)	Male			●				●		
Saeko Arai	Outside (independent)	Female	●	●	●	●		●			
Michiaki Ogasawara	Outside (independent)	Male			●			●			

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
Outside Audit & Supervisory Board Member, Seiko Holdings Corporation



Outside Audit & Supervisory Board Member (Independent Officer)
Katsunori Takechi
Representative Director, Takechi & Partners
Outside Audit & Supervisory Board Member, DIC Corporation

Operating Officers

Position in the Company	Name	Supervision and Responsibility
President & CEO	Hironori Nishikawa	Group Internal Audit Department Supervisor
Operating Officer	Hitoshi Uemura	Supervisor for Overseas Business (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	Masashi Okada	TOKYU LAND CORPORATION Supervisor (President and Representative Director of TOKYU LAND CORPORATION)
Operating Officer	Shouhei Kimura	General management control, Digital Transformation Promotion Office Supervisor
Operating Officer	Youichi Ota	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	Katsuhiro Yoshiura	NATIONAL STUDENTS INFORMATION CENTER CO., LTD. Supervisor (President and Representative Director of NATIONAL STUDENTS INFORMATION CENTER CO., LTD.)
Operating Officer	Seichi 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 Departments
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)	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Operating revenue	Billions of yen	552.1	571.4	556.8	595.9	714.1	773.1	815.5	808.5	866.1	901.9	963.2
Operating gross profit	Billions of yen	106.5	131.7	123.3	126.8	145.3	148.8	163.8	173.0	182.5	193.4	201.7
Operating profit	Billions of yen	35.5	62.5	50.1	52.0	61.4	63.3	68.8	73.2	77.5	80.2	79.3
Ordinary profit	Billions of yen	28.2	54.9	34.9	39.9	50.6	51.7	56.4	63.6	68.7	70.7	67.5
Net profit* ¹	Billions of yen	11.1	11.6	34.2	22.1	23.7	25.2	28.7	31.5	35.2	37.5	38.6
Total assets* ²	Billions of yen	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	2,487.4
Current assets	Billions of yen	283.5	274.9	300.7	324.0	416.0	572.6	491.9	588.0	649.8	872.7	889.0
Real estate for sale* ³	Billions of yen	172.2	155.7	172.7	175.3	245.9	394.7	364.4	418.6	473.7	568.0	658.0
Non-current assets	Billions of yen	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	1,598.1
Total net assets	Billions of yen	231.0	239.8	275.3	307.0	369.2	398.3	422.4	446.3	475.3	568.7	594.2
Equity	Billions of yen	203.1	208.6	240.8	268.7	364.5	395.3	418.8	442.3	468.1	561.4	583.3
Interest-bearing debt	Billions of yen	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	1,361.0
Cash flows from operating activities	Billions of yen	72.5	66.2	44.9	70.2	(13.5)	(38.5)	87.9	68.9	12.3	44.5	(6.7)
Cash flows from investing activities	Billions of yen	(26.7)	(146.2)	(28.8)	42.5	19.7	(100.3)	(112.4)	(71.0)	(96.4)	(60.4)	(147.2)
Cash flows from financing activities	Billions of yen	(30.9)	79.0	(16.4)	(90.5)	3.0	139.2	(30.5)	23.0	82.4	139.1	65.1
Capital investment	Billions of yen	46.9	199.5	41.6	43.8	77.5	126.7	78.8	60.3	44.6	89.8	136.1
Depreciation	Billions of yen	13.2	14.9	20.8	20.2	20.0	20.2	21.0	23.5	23.1	24.6	32.3
EPS (Net profit per share of common stock)	Yen	20.82	21.84	64.40	41.71	41.61	41.45	47.18	51.77	57.80	56.84	53.70
BPS (Net assets per share of common stock)	Yen	382.43	392.87	453.46	505.99	598.73	649.40	687.92	726.59	768.85	780.78	811.04
Dividends (per share)	Yen	7.00	7.00	7.00	7.00	8.00	10.00	12.00	13.00	14.50	15.50	16.00
ROA	%	3.4	5.7	3.5	3.0	3.5	3.4	3.5	3.6	3.7	3.5	3.3
ROE	%	5.5	5.6	15.2	8.7	7.5	6.6	7.1	7.3	7.7	7.3	6.7
Equity ratio	%	19.2	18.0	13.8	15.6	20.4	20.0	21.1	21.4	21.5	23.3	23.5
Debt-equity ratio	Times	2.4	2.7	4.4	3.6	2.7	2.8	2.6	2.6	2.6	2.3	2.3
Dividend payout ratio	%	33.6	32.1	10.9	16.8	19.2	24.1	25.4	25.1	25.1	27.3	29.8
EBITDA* ⁴	Billions of yen	49.1	77.8	71.0	72.4	84.6	88.0	94.3	101.7	106.1	110.2	117.1
EBITDA multiple* ⁵	Times	9.8	7.2	15.0	13.5	11.7	12.8	11.7	11.2	11.4	11.7	11.6

*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	FY2019
Number of employees	Person	17,594	18,243	19,230	20,421	21,091	21,976	22,953
Ratio of female managers	%	4.8	5.7	5.9	5.7	8.6	8.3	8.1
Female directors (non-consolidated)	Person	0	0	0	0	0	1	1
Female Audit & Supervisory Board members (non-consolidated)	Person	0	0	0	0	0	0	0
Female operating officers	Person	1	2	2	2	2	2	3
Male average years of service	Year	13.2	13.2	13.0	12.9	12.7	13.1	13.2
Female average years of service	Year	8.8	9.0	8.7	8.8	8.7	9.2	8.9
Ratio of female full-time employees	%	23.7	24.2	25.3	26.5	27.2	28.5	29.8
Ratio of new female employee hires to total hires	%	31.5	33.0	35.4	41.6	40.1	39.5	32.2

Environmental Indicators	(Unit)	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
CO ₂ emissions	1,000 t of CO ₂	228.3	234.8	210.7	233.0	227.5	230.5	220.0
Basic unit	kg-CO ₂ /m ²	98.6	101.9	98.4	106.7	101.0	95.9	84.8
Energy consumption	1,000 GJ	4,596.8	4,660.2	4,374.3	4,542.6	4,463.5	4,555.4	4,577.7
Water use	1,000 m ³	3,042	3,141	2,811	2,650	2,548	2,612	2,815
Basic unit	m ³ /m ²	1.33	1.39	1.32	1.23	1.14	1.10	1.10
Number of target facilities* ⁶	Facility	213	226	210	192	204	211	216
Waste emissions	t	14,189	18,796	18,908	25,127	25,569	22,932	22,422
Basic unit	kg/m ²	10.3	10.2	10.1	12.5	12.6	10.2	9.1
Number of target facilities* ⁶	Facility	124	152	161	151	159	170	175

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

Consolidated Financial Statements

Consolidated Balance Sheet

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands) (Note 2)
	As of March 31, 2019	As of March 31, 2020	As of March 31, 2020
Assets			
Current assets			
Cash and deposits (Note 7)	¥ 185,091	¥ 97,644	\$ 904,111
Notes and accounts receivable - trade	33,766	35,940	332,778
Securities (Notes 3, 10, 19)	17,480	24,417	226,083
Merchandise	12,107	13,501	125,009
Real estate for sale (Notes 7, 10)	229,459	287,345	2,660,602
Real estate for sale in process (Note 10)	331,980	366,591	3,394,361
Costs on construction contracts in progress	6,564	4,031	37,324
Supplies	791	802	7,426
Other	55,585	58,893	545,306
Allowance for doubtful accounts	(88)	(121)	(1,120)
Total current assets	872,740	889,046	8,231,907
Non-current assets			
Property, plant and equipment			
Buildings and structures	413,188	468,156	4,334,778
Accumulated depreciation	(190,587)	(195,206)	(1,807,463)
Buildings and structures, net (Note 7)	222,601	272,950	2,527,315
Land (Notes 6, 7)	722,691	728,712	6,747,333
Construction in progress (Note 7)	129,299	112,966	1,045,981
Other	75,660	84,885	785,972
Accumulated depreciation	(44,051)	(48,126)	(445,611)
Other, net	31,608	36,759	340,361
Total property, plant and equipment (Notes 10, 23)	1,106,201	1,151,389	10,661,009
Intangible assets			
Leasehold interests in land (Note 7)	19,129	22,646	209,685
Goodwill	77,131	71,710	663,981
Other	17,033	18,679	172,954
Total intangible assets (Note 10)	113,294	113,036	1,046,630
Investments and other assets			
Investment securities (Notes 7, 10, 19)	180,720	195,125	1,806,713
Long-term loans receivable (Note 7)	266	1,307	12,102
Leasehold and guarantee deposits	89,310	89,553	829,194
Deferred tax assets (Note 22)	18,596	21,799	201,843
Retirement benefit asset (Note 21)	118	199	1,843
Other	24,004	26,030	241,019
Allowance for doubtful accounts	(359)	(332)	(3,074)
Total investments and other assets	312,657	333,684	3,089,667
Total non-current assets	1,532,153	1,598,109	14,797,306
Deferred assets			
Share issuance cost	355	213	1,972
Total deferred assets	355	213	1,972
Total assets	¥2,405,249	¥2,487,369	\$23,031,194

Account title	Yen (millions)		U.S. dollars (thousands) (Note 2)
	As of March 31, 2019	As of March 31, 2020	As of March 31, 2020
Liabilities			
Current liabilities			
Notes and accounts payable - trade	¥ 45,765	¥ 51,783	\$ 479,472
Short-term borrowings (Notes 7,8,9)	163,275	143,558	1,329,241
Commercial papers	–	90,000	833,333
Current portion of bonds payable (Note 8)	20,000	20,000	185,185
Accounts payable – other	31,503	35,376	327,556
Income taxes payable	14,179	12,388	114,704
Advances received	46,488	39,772	368,259
Deposits received from consignment sales	34,201	19,262	178,352
Deposits received	33,761	33,924	314,111
Deposits received for special joint ventures	14,000	–	–
Provision for bonuses	11,263	11,183	103,546
Provision for bonuses for directors (and other officers)	234	259	2,398
Provision for warranties for completed construction	746	1,190	11,019
Other provisions	3,602	2,496	23,111
Other	16,727	19,419	179,806
Total current liabilities	435,750	480,616	4,450,148
Non-current liabilities			
Bonds payable (Notes 7, 8)	185,825	200,000	1,851,852
Long-term borrowings (Notes 7,8)	920,707	907,483	8,402,620
Deferred tax liabilities (Note 22)	30,641	28,982	268,352
Deferred tax liabilities for land revaluation (Note 6)	4,980	4,980	46,111
Long-term leasehold and guarantee deposits received	197,598	198,776	1,840,519
Deposits received for special joint ventures	–	8,500	78,704
Retirement benefit liability (Note 21)	29,262	30,023	277,991
Provision for loss on guarantees	21	14	130
Provision for retirement benefits for directors (and other officers)	55	80	741
Other (Note 7)	31,709	33,665	311,713
Total non-current liabilities	1,400,801	1,412,507	13,078,769
Total liabilities	1,836,551	1,893,123	17,528,917
Net assets			
Shareholders' equity (Note 25)			
Share capital	77,562	77,562	718,167
Capital surplus	166,675	166,678	1,543,315
Retained earnings	298,411	325,509	3,013,972
Treasury shares	(367)	(260)	(2,407)
Total shareholders' equity	542,281	569,489	5,273,046
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	15,183	8,696	80,519
Deferred gains or losses on hedges (Note 20)	(1,066)	(206)	(1,907)
Revaluation reserve for land (Note 6)	8,067	8,067	74,694
Foreign currency translation adjustment	(1,304)	(1,047)	(9,694)
Remeasurements of defined benefit plans (Note 21)	(1,754)	(1,709)	(15,824)
Total accumulated other comprehensive income	19,124	13,800	127,778
Non-controlling interests	7,292	10,956	101,444
Total net assets	568,698	594,246	5,502,278
Total liabilities and net assets	¥2,405,249	¥2,487,369	\$23,031,194

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)
	2019 (From April 1, 2018 to March 31, 2019)	2020 (From April 1, 2019 to March 31, 2020)	2020 (From April 1, 2019 to March 31, 2020)
Operating revenue	¥901,884	¥963,198	\$8,918,500
Operating cost (Note 11)	708,435	761,492	7,050,852
Operating gross profit	193,448	201,705	1,867,639
Selling, general and administrative expenses	113,243	122,393	1,133,269
Operating profit	80,205	79,312	734,370
Non-operating income			
Interest income	139	190	1,759
Dividend income	712	491	4,546
Share of profit of entities accounted for using equity method	204	57	528
Subsidy income	616	93	861
Other	720	606	5,611
Total non-operating income	2,392	1,439	13,324
Non-operating expenses			
Interest expenses	9,291	10,273	95,120
Foreign exchange losses	444	822	7,611
Other	2,115	2,156	19,963
Total non-operating expenses	11,852	13,251	122,694
Ordinary profit	70,744	67,499	624,991
Extraordinary income			
Gain on sales of non-current assets	117	78	722
Total extraordinary income	117	78	722
Extraordinary losses			
Impairment loss (Note 13)	7,768	3,537	32,750
Loss on disaster	518	868	8,037
Other	1,357	171	1,583
Total extraordinary losses	9,644	4,576	42,370
Profit before income taxes	61,218	63,001	583,343
Income taxes – current	24,063	26,880	248,889
Income taxes – deferred (Note 22)	(198)	(2,466)	(22,833)
Total income taxes (Note 22)	23,865	24,413	226,046
Profit	37,353	38,587	357,287
Loss attributable to non-controlling interests	(105)	(24)	(222)
Profit attributable to owners of parent	¥ 37,459	¥ 38,611	\$ 357,509

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)
	2019 (From April 1, 2018 to March 31, 2019)	2020 (From April 1, 2019 to March 31, 2020)	2020 (From April 1, 2019 to March 31, 2020)
Profit	¥37,353	¥38,587	\$357,287
Other comprehensive income			
Valuation difference on available-for-sale securities	1,387	(6,486)	(60,056)
Deferred gains or losses on hedges	(916)	859	7,954
Foreign currency translation adjustment	(1,369)	1,344	12,444
Remeasurements of defined benefit plans, net of tax	204	45	417
Share of other comprehensive income of entities accounted for using equity method	(1,279)	(1,084)	(10,037)
Total other comprehensive income (Note 15)	(1,973)	(5,322)	(49,278)
Comprehensive income	35,379	33,265	308,009
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	35,529	33,287	308,213
Comprehensive income attributable to non-controlling interests	¥ (150)	¥ (22)	\$ (204)

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

Tokyu Fudosan Holdings Corporation

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

Account title	Yen (millions)				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥60,000	¥119,188	¥270,095	¥(2,197)	¥447,087
Changes 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)
Net changes in items other than shareholders' equity					—
Total changes during period	17,562	47,486	28,315	1,829	95,194
Balance at end of 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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of period	¥13,796	¥(169)	¥8,067	¥1,319	¥(1,959)	¥21,053	¥7,204	¥475,345
Changes 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)
Net changes in items other than shareholders' equity	1,387	(897)	—	(2,623)	204	(1,929)	87	(1,841)
Total changes during period	1,387	(897)	—	(2,623)	204	(1,929)	87	93,352
Balance at end of period	¥15,183	¥(1,066)	¥8,067	¥(1,304)	¥(1,754)	¥19,124	¥7,292	¥568,698

2020 (from April 1, 2019 to March 31, 2020)

Account title	Yen (millions)				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥77,562	¥166,675	¥298,411	¥(367)	¥542,281
Changes during period					
Issuance of new shares					—
Dividends of surplus			(11,512)		(11,512)
Profit attributable to owners of parent			38,611		38,611
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(0)		107	107
Change in ownership interest of parent due to transactions with non-controlling interests		2			2
Net changes in items other than shareholders' equity					—
Total changes during period	—	2	27,098	106	27,208
Balance at end of period	¥77,562	¥166,678	¥325,509	¥ (260)	¥569,489

Account title	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of period	¥15,183	¥(1,066)	¥8,067	¥(1,304)	¥(1,754)	¥19,124	¥7,292	¥568,698
Changes during period								
Issuance of new shares								—
Dividends of surplus								(11,512)
Profit attributable to owners of parent								38,611
Purchase of treasury shares								(0)
Disposal of treasury shares								107
Change in ownership interest of parent due to transactions with non-controlling interests								2
Net changes in items other than shareholders' equity	(6,486)	860	—	257	45	(5,323)	3,663	(1,660)
Total changes during period	(6,486)	860	—	257	45	(5,323)	3,663	25,548
Balance at end of period	¥8,696	¥(206)	¥8,067	¥(1,047)	¥(1,709)	¥13,800	¥10,956	¥594,246

Consolidated Statement of Changes in Equity

Tokyu Fudosan Holdings Corporation

2020 (from April 1, 2019 to March 31, 2020)

Account title	U.S. dollars (thousands) (Note 2)				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	\$718,167	\$1,543,287	\$2,763,065	\$(3,398)	\$5,021,120
Changes during period					
Issuance of new shares					–
Dividends of surplus			(106,593)		(106,593)
Profit attributable to owners of parent			357,509		357,509
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(0)		991	991
Change in ownership interest of parent due to transactions with non-controlling interests		19			19
Net changes in items other than shareholders' equity					–
Total changes during period	–	19	250,907	981	251,926
Balance at end of period	\$718,167	\$1,543,315	\$3,013,972	\$(2,407)	\$5,273,046

Account title	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of period	\$140,583	\$(9,870)	\$74,694	\$(12,074)	\$(16,241)	\$177,074	\$67,519	\$5,265,722
Changes during period								
Issuance of new shares								–
Dividends of surplus								(106,593)
Profit attributable to owners of parent								357,509
Purchase of treasury shares								(0)
Disposal of treasury shares								991
Change in ownership interest of parent due to transactions with non-controlling interests								19
Net changes in items other than shareholders' equity	(60,056)	7,963	–	2,380	417	(49,287)	33,917	(15,370)
Total changes during period	(60,056)	7,963	–	2,380	417	(49,287)	33,917	236,556
Balance at end of period	\$ 80,519	\$(1,907)	\$74,694	\$(9,694)	\$(15,824)	\$127,778	\$101,444	\$5,502,278

Consolidated Statement of Cash Flows

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands) (Note 2)
	2019 (From April 1, 2018 to March 31, 2019)	2020 (From April 1, 2019 to March 31, 2020)	2020 (From April 1, 2019 to March 31, 2020)
Cash flows from operating activities			
Profit before income taxes	¥ 61,218	¥ 63,001	\$ 583,343
Depreciation	24,567	32,345	299,491
Amortization of goodwill	5,421	5,421	50,194
Share of loss (profit) of entities accounted for using equity method	(204)	(57)	(528)
Increase (decrease) in retirement benefit liability	338	211	1,954
Increase (decrease) in other provision	1,415	(55)	(509)
Impairment loss	7,768	3,537	32,750
Loss on valuation of inventories	2,416	1,566	14,500
Loss on retirement of non-current assets	1,073	1,956	18,111
Interest and dividend income	(851)	(681)	(6,306)
Interest expenses	9,291	10,273	95,120
Decrease (increase) in trade receivables	(3,805)	(2,312)	(21,407)
Decrease (increase) in inventories	(55,586)	(64,161)	(594,083)
Increase (decrease) in trade payables	7,635	6,011	55,657
Increase (decrease) in deposits received for consignment sales	23,847	(14,938)	(138,315)
Increase (decrease) in deposits received for special joint ventures	(17,500)	(5,500)	(50,926)
Other, net	4,118	(6,767)	(62,657)
Subtotal	71,166	29,851	276,398
Interest and dividend income received	1,104	2,382	22,056
Interest paid	(9,366)	(10,184)	(94,296)
Income taxes paid	(18,380)	(28,710)	(265,833)
Net cash provided by (used in) operating activities	¥ 44,522	¥ (6,660)	\$ (61,667)
Cash flows from investing activities			
Loan advances	(13)	(1,087)	(10,065)
Collection of loans receivable	28	29	269
Purchase of short-term and long-term investment securities	(24,672)	(31,989)	(296,194)
Proceeds from sales and redemption of short-term and long-term investment securities	5,748	4,413	40,861
Payments of leasehold and guarantee deposits	(9,557)	(6,027)	(55,806)
Proceeds from refund of leasehold and guarantee deposits	5,061	5,285	48,935
Purchase of non-current assets	(74,957)	(136,247)	(1,261,546)
Proceeds from sales of non-current assets	37,769	19,214	177,907
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(307)	(2,843)
Other, net	202	(506)	(4,685)
Net cash provided by (used in) investing activities	¥(60,389)	¥(147,223)	\$(1,363,176)

Consolidated Statement of Cash Flows

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands) (Note 2)
	2019 (From April 1, 2018 to March 31, 2019)	2020 (From April 1, 2019 to March 31, 2020)	2020 (From April 1, 2019 to March 31, 2020)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	¥ 3,042	¥(30,296)	\$(280,519)
Net increase (decrease) in commercial papers	—	90,000	833,333
Proceeds from long-term borrowings	213,159	107,818	998,315
Repayments of long-term borrowings	(152,260)	(110,772)	(1,025,667)
Proceeds from long-term lease and guarantee deposited	24,497	18,740	173,519
Repayments of long-term lease and guarantee deposited	(15,159)	(14,630)	(135,463)
Proceeds from issuance of bonds	20,000	40,000	370,370
Redemption of bonds	(10,100)	(25,825)	(239,120)
Dividends paid	(9,143)	(11,512)	(106,593)
Proceeds from share issuance to non-controlling shareholders	746	3,843	35,583
Dividends paid to non-controlling interests	(70)	(200)	(1,852)
Repayments of finance lease obligations	(1,555)	(2,057)	(19,046)
Payments for investments in silent partnership that do not result in change in scope of consolidation	(421)	(30)	(278)
Proceeds from issuance of shares	47,213	—	—
Purchase of treasury shares	(1)	(0)	(4)
Proceeds from disposal of treasury shares	19,148	—	—
Net cash provided by (used in) financing activities	¥139,093	¥ 65,077	\$ 602,565
Effect of exchange rate change on cash and cash equivalents	(155)	1,042	9,648
Net increase (decrease) in cash and cash equivalents	¥123,071	¥(87,763)	\$(812,620)
Cash and cash equivalents at beginning of period	61,729	184,800	1,711,111
Cash and cash equivalents at end of period (Note 16)	¥184,800	¥ 97,037	\$ 898,491

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 172 consolidated subsidiaries as of March 31, 2020. The following companies have become consolidated subsidiaries: TLUS Oakland Portfolio Holdings, LLC and 18 other companies became consolidated subsidiaries, as they were newly established. Silent Partnership Kawanishi Solar Farm and 11 other companies (due to new investments) and three other companies (due to acquisitions of shares and so forth) also became consolidated subsidiaries.

On the other hand, Nasic I support Co., Ltd. was removed from the scope of consolidation as a result of its merger through absorption into NATIONAL STUDENTS INFORMATION CENTER CO., LTD., the surviving entity. Six other companies were also removed from the scope of consolidation, as a result of the completion of liquidation and so forth.

(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) Retirement benefit liability

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

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

(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, 2020.

Changes in presentation method
(Consolidated statement of income)

The amount of "Loss on disaster" included in "Other" under "Extraordinary losses" in the previous consolidated fiscal year is reported in a separate component of extraordinary losses as the amount exceeded 10/100 of total extraordinary losses in the current fiscal year. To reflect this change in presentation, items were reclassified for the previous consolidated fiscal year.

As a result, ¥1,875 million presented in "Other" under "Extraordinary losses" in the previous consolidated fiscal year is separated into ¥518 million in "Loss on disaster" and ¥1,357 million in "Other."

(t) Accounting estimates associated with the spread of COVID-19

The Group made accounting estimates in the application of impairment accounting for fixed assets, etc. under the assumption that COVID-19 is a highly uncertain event that contains ambiguous elements, such as future spread and containment, and there will be serious constraints on the Group's business activities in the first quarter of the following consolidated fiscal year, followed by a gradual recovery from the second quarter onwards.

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 ¥108=U.S. \$1.00, the approximate exchange rate prevailing on the

Tokyo Foreign Exchange Market on March 31, 2020. 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, 2019 and 2020 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Investments in silent partnership	¥ 4,730	¥ 9,889	\$ 91,565
Securities	12,706	14,159	131,102

4. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates at March 31, 2019 and 2020 consisted of the following:

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Investment securities	¥83,263	¥101,106	\$936,167

5. Contingent Liabilities

At March 31, 2019 and 2020 the Company and consolidated subsidiaries have the following contingent liabilities:

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Guarantee of loans on behalf of:			
Individual customers for principally housing loans	¥ 12	¥ 11	\$ 102
Membership loan users	4	2	19
Employees for their purchase of residential houses	1	1	9
PT. TTL Residences	173	152	1,407
425 Park Owner LLC	10,300	10,099	93,509
Shiba Park TMK	10,000	—	—
Mizuho Trust & Banking Co., Ltd. : The real-estate trust beneficiary company	5,500	5,500	50,926
Yonago Biomass power plant Joint company	998	979	9,065
Rhapsody TMK	3,000	3,000	27,778
Renewable Japan Energy Operator SPC	—	1,000	9,259
	¥29,991	¥20,746	\$192,093

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, 2019 and 2020 respectively. As such, the difference is not stated.

7. Pledged Assets and Secured Liabilities

Pledged assets and secured liabilities at March 31, 2019 and 2020 are summarized as follows:

(1) Pledged assets

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Cash and deposits	¥ 1,516	¥ 229	\$ 2,120
Inventories (Real estate for sale)	25,343	26,283	243,361
Buildings and structures	84,391	97,481	902,602
Land	533,830	477,448	4,420,815
Construction in progress	11,126	—	—
Leasehold interests in land	9,510	14,140	130,926
Investment securities	136	139	1,287
Long-term loans receivable	193	182	1,685
	¥666,049	¥615,904	\$5,702,815

(2) Secured liabilities

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Short-term borrowings	¥ 38,926	¥ 5,542	\$ 51,315
Bonds payable	5,825	—	—
Long-term borrowings	321,674	323,341	2,993,898
Other non-current liabilities	2,261	2,261	20,935
	¥368,687	¥331,144	\$3,066,148

In addition to the above, Investment securities of ¥294 million and ¥30 million (U.S. \$278 thousand) at March 31, 2019 and 2020, 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)
	2019	2020	2020
Real estate for sale	¥2,261	¥2,261	\$20,935
Other non-current liabilities	¥2,261	¥2,261	\$20,935

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)
	2019	2020	2020
Short-term borrowings (Current portion of long-term borrowings)	¥ 39,086	¥ 5,542	\$ 51,315
Bonds payable	5,825	—	—
Long-term borrowings	¥ 321,514	¥ 323,341	\$ 2,993,898

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

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Cash and deposits	¥ 1,516	¥ 229	\$ 2,120
Real estate for sale	22,433	23,766	220,056
Land	533,830	477,448	4,420,815
Buildings and structures	84,391	97,481	902,602
Construction in progress	11,126	—	—
Leasehold interests in land	9,510	14,140	130,926
Investment securities	¥ 0	¥ 0	\$ 0

8. Short-term borrowings and Long-term Debt

Short-term borrowings at March 31, 2019 (¥80,485 million) and 2020 (¥50,017 million (\$463,120 thousand)) consist of loans principally from banks with weighted average interest rates of 0.32% in 2020.

Long-term debt at March 31, 2019 and 2020 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
0.639% unsecured corporate bond, maturing 2021	¥ 10,000	¥ 10,000	\$ 92,593
0.298% unsecured corporate bond, maturing 2020	10,000	–	–
0.856% unsecured corporate bond, maturing 2025	10,000	10,000	92,593
0.968% unsecured corporate bond, maturing 2026	10,000	10,000	92,593
0.371% unsecured corporate bond, maturing 2021	10,000	10,000	92,593
0.190% unsecured corporate bond, maturing 2022	10,000	10,000	92,593
0.780% unsecured corporate bond, maturing 2032	10,000	10,000	92,593
0.800% unsecured corporate bond, maturing 2032	10,000	10,000	92,593
0.180% unsecured corporate bond, maturing 2022	10,000	10,000	92,593
0.001% unsecured corporate bond, maturing 2020	10,000	–	–
0.455% unsecured corporate bond, maturing 2027	10,000	10,000	92,593
0.160% unsecured corporate bond, maturing 2023	10,000	10,000	92,593
0.790% unsecured corporate bond, maturing 2033	10,000	10,000	92,593
0.410% unsecured corporate bond, maturing 2028	10,000	10,000	92,593
0.170% unsecured corporate bond, maturing 2023	10,000	10,000	92,593
0.780% unsecured corporate bond, maturing 2033	10,000	10,000	92,593
0.390% unsecured corporate bond, maturing 2028	10,000	10,000	92,593
0.980% unsecured corporate bond, maturing 2038	10,000	10,000	92,593
0.180% unsecured corporate bond, maturing 2024	10,000	10,000	92,593
0.455% unsecured corporate bond, maturing 2029	10,000	10,000	92,593
0.199% specified corporate bond issued by special purpose company, maturing 2021	5,825	–	–
0.370% unsecured corporate bond, maturing 2030	–	10,000	92,593
0.880% unsecured corporate bond, maturing 2040	–	10,000	92,593
0.190% unsecured corporate bond, maturing 2025	–	10,000	92,593
0.700% unsecured corporate bond, maturing 2040	–	10,000	92,593
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 2020.			
Secured	360,600	328,884	3,045,216
Unsecured	642,896	672,140	6,223,523
	1,209,322	1,221,024	11,305,778
Less current portion	(102,790)	(113,542)	(1,051,311)
	¥1,106,532	¥1,107,483	\$10,254,467

The aggregate annual maturity of long-term debt after March 31, 2021 are as follows:

Year ending March 31,	Yen (millions)	U.S. dollars (thousands)
2022	¥ 89,790	\$ 831,388
2023	146,554	1,356,982
2024	135,653	1,256,046
2025	137,913	1,276,973
2026 and thereafter	597,573	5,533,087
	¥1,107,483	\$10,254,472

9. Commitment Lines

The Company and certain consolidated subsidiaries entered into contracts for overdraft with 28 banks at March 31, 2019 and 2020, and commitment lines with 3 banks at March 31, 2019 and 10 banks at March 31, 2020 respectively. These contracts at March 31, 2019 and 2020 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Limit of overdraft	¥261,219	¥249,719	\$2,312,213
Line of credit	54,000	104,000	962,963
Borrowing outstanding	43,807	49,207	455,620
Available commitment lines	¥271,412	¥304,512	\$2,819,556

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)
	2019	2020	2020
From property, plant and equipment to real estate for sale	¥ 42,297	¥ 23,491	\$ 217,509
From property, plant and equipment to real estate for sale in process	–	3,273	30,306
From intangible assets (leasehold interests in land) to real estate for sale	–	106	981
From real estate for sale to property, plant and equipment	2,868	–	–
From real estate for sale in process to property, plant and equipment	–	1,175	10,880
From securities to investment securities	¥ 519	¥ –	\$ –

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)
	2019	2020	2020
Loss on valuation of inventories	¥ 2,416	¥ 1,566	\$ 14,500

12. Selling, General and Administrative expenses

The main items of selling, general and administrative expenses are as follows.

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Salaries, allowance and bonuses	¥ 22,819	¥ 24,233	\$ 224,380
Selling and advertising expenses	11,903	12,229	113,231
Rent expenses	17,022	17,493	161,972
Provision for bonuses	2,858	2,735	25,324
Provision for bonuses for directors (and other officers)	139	150	1,389
Retirement benefit expenses	1,347	1,361	12,602
Provision for retirement benefits for directors (and other officers)	¥ 30	¥ 29	\$ 269

13. Impairment Loss on Fixed Assets

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%.

2020

For the year ended March 31, 2020, 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)
Project site	Land	Katsuyama-shi, Fukui	¥2,821	\$26,120
Others (11 assets)	Buildings and structures, other fixed assets	Other area	¥ 715	\$ 6,620

To determine impairment losses, assets are divided into groups that are minimal units that generate cash flows independently of other assets and asset groups. Consequently, the Group wrote down the carrying amounts of 12 asset groups to their recoverable values. These asset groups were those where sales or retirement were planned, and those where losses were recorded from operating activities for consecutive years and those where decisions of aborting operational-

ization of a project site were made. The amounts written down were recorded as impairment loss of ¥3,537 million (\$32,750 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.

14. Loss on Disaster

2019

The expenditures and estimated expenditures recorded as "loss on disaster" under extraordinary losses for the year ended March 31, 2019 were chiefly due to the restoration of fixed assets (golf courses, commercial facilities, etc.) that were damaged by the effects of the heavy rain in July 2018, mainly in western Japan.

2020

The expenditures and estimated expenditures recorded as "loss on disaster" under extraordinary losses for the year ended March 31, 2020 were chiefly due to the restoration of fixed assets (golf courses, etc.) damaged by the impact of "Typhoon No. 15" mainly in eastern Japan in September 2019, "Typhoon No. 19" and "Typhoon No. 21" mainly in western Japan and eastern Japan in October 2019.

15. Other Comprehensive Income

The following table presents components of other comprehensive income for the year ended March 31, 2019 and 2020:

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

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥1,998	¥(9,375)	\$(86,806)
Reclassification to income for the year	–	25	231
Total valuation difference on available-for-sale securities	1,998	(9,350)	(86,574)
Deferred gains or losses on hedges:			
Amount arising during the year	(1,320)	1,238	11,463
Reclassification to income for the year	–	–	–
Total deferred gains or losses on hedges	(1,320)	1,238	11,463
Foreign currency translation adjustment:			
Amount arising during the year	(1,002)	1,344	12,444
Reclassification to income for the year	(367)	–	–
Total foreign currency translation adjustment	(1,369)	1,344	12,444
Remeasurements of defined benefits:			
Amount arising during the year	(461)	(269)	(2,491)
Reclassification to income for the year	690	426	3,944
Total remeasurements of defined benefits	228	156	1,444
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	(1,279)	(1,084)	(10,037)
Reclassification to income for the year	–	–	–
Total share of other comprehensive income of entities accounted for using equity method	(1,279)	(1,084)	(10,037)
Amount before tax effect	(1,742)	(7,694)	(71,241)
Tax effect	(231)	2,372	21,963
Total accumulated other comprehensive income	¥(1,973)	¥(5,322)	\$(49,278)

(2) Tax effect of other comprehensive income

	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)

	Yen (millions)		
	2020		
	Before tax effect	Tax effect	After tax effect
Valuation difference on available-for-sale securities	¥(9,350)	¥2,863	¥(6,486)
Deferred gains or losses on hedges	1,238	(379)	859
Foreign currency translation adjustment	1,344	–	1,344
Remeasurements of defined benefit plans	156	(111)	45
Share of other comprehensive income of entities accounted for using equity method	(1,084)	–	(1,084)
Total accumulated other comprehensive income	¥(7,694)	¥2,372	¥(5,322)

	U.S. dollars (thousands)		
	2020		
	Before tax effect	Tax effect	After tax effect
Valuation difference on available-for-sale securities	\$(86,574)	\$26,509	\$(60,056)
Deferred gains or losses on hedges	11,463	(3,509)	7,954
Foreign currency translation adjustment	12,444	–	12,444
Remeasurements of defined benefit plans	1,444	(1,028)	417
Share of other comprehensive income of entities accounted for using equity method	(10,037)	–	(10,037)
Total accumulated other comprehensive income	\$(71,241)	\$21,963	\$(49,278)

16. 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, 2019 and 2020 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Cash and deposits	¥185,091	¥97,644	\$904,111
Time deposits with maturity over three months	(321)	(657)	(6,083)
Short-term loans receivable	30	50	463
Cash and cash equivalents	¥184,800	¥97,037	\$898,491

The details of significant non-cash transactions

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
The amount transferred from property, plant and equipment to real estate for sale due to change in purpose of holding the real estate	¥42,297	¥23,597	\$218,491
The amount transferred from property, plant and equipment to real estate for sale in process due to change in purpose of holdings the real estate	–	3,273	30,306
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	–	–
The amount transferred from real estate for sale in process to property, plant and equipment due to change in purpose of holdings the real estate	–	1,175	10,880
The amount transferred from securities to investment securities due to change in purpose of holdings the securities	519	–	–
Assets related to finance leases	5,097	1,870	17,315
Liabilities related to finance leases	¥ 6,234	¥ 2,073	\$ 19,194

17. 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, 2019 and 2020 are as follows:

- (1) Acquisition cost, accumulated depreciation, accumulated impairment loss, and carrying amount of leased properties (mainly office equipment) at March 31, 2019 and 2020 if they were capitalized

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Acquisition cost	¥6,251	¥6,251	\$57,880
Accumulated depreciation	3,666	3,978	36,833
Carrying amount	¥2,584	¥2,272	\$21,037

- (2) Future lease payments at March 31, 2019 and 2020

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Due within one year	¥ 517	¥ 517	\$ 4,787
Due after one year	3,717	3,199	29,620
Total	¥4,234	¥3,717	\$34,417

- (3) Amount of lease payments, reversal of impairment loss account on leased assets, depreciation expense equivalent, and interest expenses equivalent thereof at March 31, 2019 and 2020

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Lease payments	¥ 517	¥ 517	\$ 4,787
Reversal of impairment loss account on leased assets	–	–	–
Depreciation expense equivalent	312	312	2,889
Interest expenses equivalent	¥ 192	¥ 174	\$ 1,611

(Operating Lease Transactions as lessee)

Future lease payments of non-cancellable leases at March 31, 2019 and 2020 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Due within one year	¥ 25,194	¥ 27,644	\$ 255,963
Due after one year	428,773	524,467	4,856,176
Total	¥453,968	¥552,111	\$5,112,139

(Operating Lease Transactions as lessor)

Future lease payments of non-cancellable leases to be received at March 31, 2019 and 2020 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Due within one year	¥ 30,230	¥ 31,359	\$ 290,361
Due after one year	88,364	107,178	992,389
Total	¥118,595	¥138,537	\$1,282,750

18. Financial Instruments

Financial instruments at March 31, 2019 and 2020 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, 2020 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	¥ 97,644	¥ 97,644	¥ –
(2) Securities and investment securities			
Held-to-maturity securities	9	10	0
Available-for-sale securities	61,927	61,927	–
Total assets	¥ 159,581	¥ 159,581	¥ 0
(1) Short-term borrowings	50,017	50,017	–
(2) Commercial papers	90,000	90,000	–
(3) Bonds payable	220,000	218,767	(1,232)
(4) Long-term borrowings	1,001,025	1,005,437	4,412
Total liabilities	¥1,361,042	¥1,364,222	¥3,180
Derivatives			
Derivatives to which hedge accounting is not applied	(911)	(911)	–
Derivatives to which hedge accounting is applied	(325)	(325)	–

	U.S. dollars (thousands)		
	Book value	Estimated fair value	Difference
(1) Cash and deposits	\$ 904,111	\$ 904,111	\$ –
(2) Securities and investment securities			
Held-to-maturity securities	83	93	0
Available-for-sale securities	573,398	573,398	–
Total assets	\$ 1,477,602	\$ 1,477,602	\$ 0
(1) Short-term borrowings	463,120	463,120	–
(2) Commercial papers	833,333	833,333	–
(3) Bonds payable	2,037,037	2,025,620	(11,407)
(4) Long-term borrowings	9,268,750	9,309,602	40,852
Total liabilities	\$12,602,241	\$12,631,685	\$29,444
Derivatives			
Derivatives to which hedge accounting is not applied	(8,435)	(8,435)	–
Derivatives to which hedge accounting is applied	(3,009)	(3,009)	–

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 borrowings 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 borrowings (Including current portion of long-term borrowings)

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 borrowings 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 20. Derivatives.

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

	Yen (millions)	U.S. dollars (thousands)
Operational investment securities	¥ 1,783	\$ 16,509
Unlisted stocks – current	12,733	117,898
Unlisted stocks – non-current	125,988	1,166,556
Investments in silent partnerships – current	9,889	91,565
Investments in silent partnerships – non-current	¥ 7,209	\$ 66,750

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	¥ 89,553	\$ 829,194
Long-term lease and guarantee deposited	¥198,776	\$1,840,519

Because no quoted market price is available, calculation of the substantial deposit period is difficult, 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, 2020.

	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	¥97,644	¥ –	¥ –	¥ –
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	9	–	–	–
(2) Corporate bonds	–	–	–	–
Available-for-sale securities with maturities				
(1) National and local government bonds	11	–	–	–
(2) Corporate bonds	–	–	–	–
Total	¥97,665	¥ –	¥ –	¥ –

	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	\$904,111	\$ –	\$ –	\$ –
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	83	–	–	–
(2) Corporate bonds	–	–	–	–
Available-for-sale securities with maturities				
(1) National and local government bonds	102	–	–	–
(2) Corporate bonds	–	–	–	–
Total	\$904,306	\$ –	\$ –	\$ –

19. Securities

Securities held by the Company as of March 31, 2019 and 2020 are summarized as follows:

(1) Held-to-maturity Securities

	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

	Yen (millions)		
	2020		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
National and local government bonds	¥9	¥10	¥0
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	9	10	0
Securities whose fair value does not exceed book value:			
National and local government bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	-	-	-
Total	¥9	¥10	¥0

	U.S. dollars (thousands)		
	2020		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
National and local government bonds	\$83	\$93	\$9
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	83	93	9
Securities whose fair value does not exceed book value:			
National and local government bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	-	-	-
Total	\$83	\$93	\$9

(2) Available-for-sale securities

	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

	Yen (millions)		
	2020		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥60,894	¥48,177	¥12,717
National and local government bonds	11	10	0
Other	-	-	-
Subtotal	60,905	48,188	12,717
Securities whose book value does not exceed acquisition cost:			
Stocks	1,021	1,178	(157)
National and local government bonds	-	-	-
Other	-	-	-
Subtotal	1,021	1,178	(157)
Total	¥61,927	¥49,367	¥12,560

	U.S. dollars (thousands)		
	2020		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	\$563,833	\$446,083	\$117,750
National and local government bonds	102	93	9
Other	-	-	-
Subtotal	563,935	446,185	117,750
Securities whose book value does not exceed acquisition cost:			
Stocks	9,454	10,907	(1,454)
National and local government bonds	-	-	-
Other	-	-	-
Subtotal	9,454	10,907	(1,454)
Total	\$573,398	\$457,102	\$116,296

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

	Yen (millions)		U.S. dollars (thousands)
Available-for-sale securities	2019	2020	2020
Operational investment securities	¥ 3,050	¥ 1,783	\$ 16,509
Unlisted stocks, etc	35,060	37,258	344,981
Investments in silent partnerships	¥ 7,978	¥17,099	\$158,324

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, 2019 and 2020:

2019 Not applicable.

Type	Yen (millions)		
	Sales amount	Aggregate gains	Aggregate losses
Stocks	¥58	¥21	¥ –

Type	U.S. dollars (thousands)		
	Sales amount	Aggregate gains	Aggregate losses
Stocks	\$537	\$194	\$ –

(4) Loss on valuation of securities

Loss on valuation of securities for the years ended March 31, 2019 and 2020:

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Loss on valuation of investment securities (Note)	¥274	¥619	\$5,731

Note: Securities which market value is very difficult to determine

20. Derivatives

Contract /notional amount and the estimated fair value of the derivative instruments as of March 31, 2019 and 2020 are summarized as follows:

(1) Derivatives to which hedge accounting is not applied

Currency-related transactions

2019	Type of derivatives	Yen (millions)			
		Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain (loss)
Non-market transaction	NDF To sell foreign currency: Indonesian rupiah	¥10,040	¥ 6,160	¥ (328)	¥ (328)

2020	Type of derivatives	Yen (millions)			
		Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain (loss)
Non-market transaction	NDF To sell foreign currency: Indonesian rupiah	¥ 8,690	¥ –	¥ (911)	¥ (911)

2020	Type of derivatives	U.S. dollars (thousands)			
		Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain (loss)
Non-market transaction	NDF To sell foreign currency: Indonesian rupiah	\$80,463	¥ –	\$(8,435)	\$(8,435)

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

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	¥ 13,834	¥ 13,772	¥ (889)	
	Euro	in foreign currency	¥ 197	¥ -	¥ (10)	

2020				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	¥ 13,772	¥ 13,772	¥ 471	
	Euro	in foreign currency	¥ –	¥ –	¥ –	

2020	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	\$127,519	\$127,519	\$ 4,361
	Euro	in foreign currency	\$ –	\$ –	\$ –

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

2019					
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)

2020					
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	¥ 15,099	¥ 15,024	¥ (796)
Special treatment for interest rate swaps			¥ 254,044	¥ 205,598	(Note 1)

2020					
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	\$ 139,806	\$ 139,111	\$(7,370)
Special treatment for interest rate swaps			\$2,352,259	\$1,903,685	(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.

21. 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)
	2019	2020	2020
1. Principle method			
Retirement benefit obligations at beginning of year	¥34,971	¥35,389	\$ 327,676
Service cost	2,211	2,306	21,352
Interest cost	230	229	2,120
Actuarial loss	178	(49)	(454)
Retirement benefits paid	(2,205)	(1,997)	(18,491)
The amount of transfer in association with changing from the simplified method to the principle method	2	117	1,083
Prior service cost that arose in the fiscal year	(0)	-	-
Retirement benefit obligations at end of year	¥35,389	¥35,995	\$ 333,287
2. Simplified method			
Retirement benefit obligations at beginning of year	¥ 1,122	¥ 1,063	\$ 9,843
Retirement benefit cost	76	198	1,833
Retirement benefits paid	(130)	(115)	(1,065)
The amount of transfer in association with changing from the simplified method to the principle method	(2)	(117)	(1,083)
Contributions to the system	(2)	-	-
Retirement benefit obligations at end of year	¥ 1,063	¥ 1,028	\$ 9,519

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

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Pension assets at beginning of year	¥ 7,269	¥ 7,309	\$ 67,676
Expected return on plan assets	225	225	2,083
Actuarial loss	(282)	(319)	(2,954)
Contributions from employer	652	614	5,685
Retirement benefits paid	(556)	(629)	(5,824)
Pension assets at end of year	¥ 7,309	¥ 7,199	\$ 66,657

III. Table of reconciliation of retirement benefit obligations and pension assets as of March 31, 2019 and 2020 and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Retirement benefit obligations under the savings-type plan	¥ 9,233	¥ 9,011	\$ 83,435
Plan assets at fair value	(7,309)	(7,199)	(66,657)
	1,924	1,811	16,769
Retirement benefit obligations under the non-savings-type plan	27,219	28,012	259,370
Net amount of liability and asset recorded in the consolidated balance sheet	¥29,143	¥29,824	\$276,148
Net defined benefit liability	¥29,262	¥30,023	\$277,991
Net defined benefit asset	(118)	(199)	(1,843)
Net amount of liability and asset recorded in the consolidated balance sheet	¥29,143	¥29,824	\$276,148

IV. Components of retirement benefit cost for the year ended March 31, 2019 and 2020

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Service cost	¥ 2,211	¥ 2,306	\$ 21,352
Interest cost	230	229	2,120
Expected return on plan assets	(225)	(225)	(2,083)
Amortization of actuarial loss	652	388	3,593
Amortization of prior service cost	38	38	352
Retirement benefit cost calculated using the simplified method	76	198	1,833
Retirement benefit cost for the defined benefit plan	¥ 2,982	¥ 2,936	\$ 27,185

V. Remeasurements of defined benefit plans, net of tax

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Prior service cost	¥ (38)	¥ (38)	\$ (352)
Actuarial loss	(190)	(118)	(1,093)
Total	¥ (228)	¥ (156)	\$ (1,444)

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, 2019 and 2020.

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Unrecognized prior service cost	¥ (242)	¥ (203)	\$ (1,880)
Unrecognized actuarial loss	(1,928)	(1,810)	(16,759)
Total	¥(2,171)	¥(2,014)	\$(18,648)

VII. Pension assets

1. The ratio by major category of the total pension assets as of March 31, 2019 and 2020 are set forth below.

	2019	2020
Bonds	38%	39%
Stocks	13%	17%
General account	28%	29%
Others	21%	15%
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, 2019 and 2020

	2019	2020
Discount rate	0.03% - 1.58%	(0.17)% - 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 ¥1,498 million and ¥1,525 million (\$14,120 thousand) for the year ended March 31, 2019 and 2020.

22. Income Taxes

Significant components of deferred tax assets and deferred tax liabilities at March 31, 2019 and 2020 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Deferred tax assets:			
Valuation loss on inventories	¥ 569	¥ 213	\$ 1,972
Valuation loss on securities	2,280	2,508	23,222
Amortization of intangible assets	3,972	4,397	40,713
Allowance for doubtful accounts	115	115	1,065
Accrued expenses	777	484	4,481
Accrued bonuses to employees	3,879	3,907	36,176
Net defined benefit liability	8,589	8,755	81,065
Tax loss carried forward	7,915	10,737	99,417
Unrealized inter-company profits	825	1,024	9,481
Impairment losses on fixed assets	6,109	5,532	51,222
Loss of investments in silent partnerships	7	21	194
Valuation difference on consolidated subsidiaries	–	109	1,009
Undistributed loss from consolidated subsidiaries	226	283	2,620
Accrued enterprise tax/business office tax	1,452	1,400	12,963
Revaluation of assets for merger	7	7	65
Asset retirement obligations	1,898	2,333	21,602
Asset adjustment account	3,473	1,929	17,861
Other	5,837	8,048	74,519
Gross deferred tax assets	47,939	51,809	479,713
Valuation allowance related to tax loss carried forward (Note 2)	(4,854)	(6,802)	(62,981)
Valuation allowance related to future deductible temporary differences	(12,762)	(13,161)	(121,861)
Less: valuation allowance (Note 1)	(17,617)	(19,964)	(184,852)
Total deferred tax assets	¥ 30,321	¥ 31,845	\$ 294,861
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ 6,664	¥ 3,800	\$ 35,185
Valuation difference on consolidated Subsidiaries	28,072	28,031	259,546
Reserve for advanced depreciation of non-current assets	2,286	2,423	22,435
Loss on approval for exchange of land rights	591	1,118	10,352
Property, plant and equipment corresponding to asset retirement obligations	1,129	1,460	13,519
Other	3,623	2,193	20,306
Total deferred tax liabilities	42,366	39,027	361,361
Net deferred tax assets (liabilities)	¥(12,045)	¥ (7,182)	\$ (66,500)

Notes: 1. The valuation allowance increased by ¥2,346 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 tax loss carried forward, 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
2020							
Tax loss carried forward (Note 1)	–	–	8	95	1,370	9,263	10,737
Valuation allowance	–	–	–	(66)	(1,260)	(5,476)	(6,802)
Deferred tax assets	–	–	8	29	110	3,786	3,934 (Note 2)

Notes: 1. Tax losses carried forward indicate amounts multiplied by legally-designated effective tax rates.
2. Deferred tax assets amounting to ¥3,934 million have been posted in conjunction with the tax loss carried forward of ¥10,737 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)
	2019	2020	2020
Deferred tax assets – non-current	18,596	21,799	201,843
Deferred tax liabilities – non-current	¥30,641	¥28,982	\$268,352

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

	2019	2020
Statutory tax rate (Adjustments)	30.6%	30.6%
Items not included in tax deductions permanently, such as entertainment expenses	0.8%	0.7%
Items not included in taxable income permanently, such as dividend income	(0.1)%	(0.0)%
Temporary difference for consolidation	(2.0)%	(1.0)%
Inhabitant tax on a per capita basis	0.5%	0.5%
Increase/decrease in the amount of valuation reserve	6.5%	3.7%
Amortization of goodwill	2.8%	2.7%
Tax credit for wage increases and productivity improvement and tax incentives to promote capital expenditure on productivity enhancing equipment	(0.5)%	–
Equity in earnings of entities accounted for by the equity method	(0.1)%	(0.0)%
Exclusion from tax deductions directors' bonuses	0.1%	0.1%
Others	0.5%	1.4%
Effective tax rate	39.0%	38.8%

23. Investment and Rental Properties

The Company and certain consolidated subsidiaries own office buildings for lease in Tokyo and other areas. The carrying value in the consolidated balance sheet and corresponding fair value of those properties at March 31, 2019 and 2020 are as follows:

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

2020		Yen (millions)	
		Carrying value	Fair value
As of April 1, 2019	Net change	As of March 31, 2020	As of March 31, 2020
¥816,148	¥18,306	¥834,454	¥1,091,527

2020		U.S. dollars (thousands)	
		Carrying value	Fair value
As of April 1, 2019	Net change	As of March 31, 2020	As of March 31, 2020
\$7,556,926	\$169,500	\$7,726,426	\$10,106,731

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, 2020 is mainly attributable to the acquisition of properties, new opening and progress of properties to be developed before opening of ¥58,970 million (\$546,019 thousand). The increase during the year ended March 31, 2019 were mainly attributable to the acquisition of properties of ¥100,159 million.
The decrease during the year ended March 31, 2020 were mainly due to the sales of properties of ¥18,641 million (\$ 172,602 thousand), and transfers to real estate for sale of ¥19,059 million (\$ 176,472 thousand), respectively. The decrease during the year ended March 31, 2019 were mainly due to the sales of properties of ¥37,283 million, and transfers to real estate for sale of ¥32,847 million.
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 ¥52,883 million and ¥74,708 million (\$691,741 thousand) as of March 31, 2019 and 2020) is extremely difficult, since they are in the early stages of development. For this reason, they are not included in the table above.

24. Per Share Information

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

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

	Yen		U.S. dollars
	2019	2020	2020
Net asset per share of common stock as of March 31	¥780.78	¥811.04	\$7.51
Net income per share of common stock for the year ended March 31	¥ 56.84	¥ 53.70	\$0.50

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

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
For the year ended March 31			
Profit attributable to owners of parent	¥ 37,459	¥ 38,661	\$ 357,972
Profit attributable to owners of parent of common stock	¥ 37,459	¥ 38,661	\$ 357,972
Weighted average number of shares of common stock (thousands)	659,059	719,040	

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

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
As of March 31			
Total net assets	¥568,698	¥594,246	\$5,502,278
Amount deducted from total net assets	7,292	10,956	101,444
Non-controlling interests	(7,292)	(10,956)	(101,444)
Net assets of common stock at March 31	¥561,405	¥583,289	\$5,400,824
Number of shares of common stock at March 31 (thousands)	719,028	719,189	

25. 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.

26. 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, renewable energy power facilities, logistics facilities 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 other properties and, (ii) construction of common areas of condominiums, buildings and other properties, (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) Innovation Business, (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, 2020 and 2019 are less than 10 percent of consolidated revenue.

Summarized information by business segment for the year ended March 31, 2020 and 2019 are as follows:

	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

	Yen (millions)								
Year ended March 31, 2020	Urban Development	Residential	Property Management	Real Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/ Headquarters	Consolidated
Revenues:									
Third party customers	¥ 286,340	¥136,159	¥171,108	¥128,829	¥113,842	¥95,646	¥ 31,270	¥ –	¥ 963,198
Inter-segment	6,297	179	19,702	2,608	613	928	3,961	(34,290)	–
Total	¥ 292,637	¥136,338	¥190,811	¥131,438	¥114,455	¥96,574	¥ 35,231	¥ (34,290)	¥ 963,198
Operating profit/loss	52,525	8,541	8,729	15,220	3,474	243	(1,361)	(8,062)	79,312
Total assets	¥1,612,161	¥282,530	¥127,111	¥98,286	¥273,263	¥37,100	¥138,131	¥ (81,215)	¥2,487,369
Depreciation expenses	16,458	858	1,561	1,573	9,442	1,568	89	792	32,345
Amortization of goodwill	1,008	–	1,897	–	0	–	1	2,513	5,421
Investment in entities accounted for using equity method	2,339	–	–	192	–	–	97,306	779	100,617
Additions to property, plant and equipment and intangible assets	114,621	1,663	2,401	2,761	11,688	2,153	77	991	136,359

	U.S. dollars (thousands)								
Year ended March 31, 2020	Urban Development	Residential	Property Management	Real Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/ Headquarters	Consolidated
Revenues:									
Third party customers	\$ 2,651,296	\$1,260,731	\$1,584,333	\$1,192,861	\$1,054,093	\$885,611	\$ 289,537	\$ –	\$ 8,918,500
Inter-segment	58,306	1,657	182,426	24,148	5,676	8,593	36,676	(317,500)	–
Total	\$ 2,709,602	\$1,262,389	\$1,766,769	\$1,217,019	\$1,059,769	\$894,204	\$ 326,213	\$ (317,500)	\$ 8,918,500
Operating profit/loss	486,343	79,083	80,824	140,926	32,167	2,250	(12,602)	(74,648)	734,370
Total assets	\$14,927,417	\$2,616,019	\$1,176,954	\$ 910,056	\$2,530,213	\$343,519	\$1,278,991	\$ (751,991)	\$23,031,194
Depreciation expenses	152,389	7,944	14,454	14,565	87,426	14,519	824	7,333	299,491
Amortization of goodwill	9,333	–	17,565	–	0	–	9	23,269	50,194
Investment in entities accounted for using equity method	21,657	–	–	1,778	–	–	900,981	7,213	931,639
Additions to property, plant and equipment and intangible assets	1,061,306	15,398	22,231	25,565	108,222	19,935	713	9,176	1,262,583

27. Significant Subsequent Events

Due to the spread of COVID-19, there have been incidents such as temporary closings and shortened opening hours of commercial facilities, operated facilities and stores of the Group and delays in constructions, in addition to the decreases in the number of visitors and impacts from voluntary restraint on business activities in each business of the Group.

Although the matters described above may affect the financial positions and operating results of the Group from the following consolidated fiscal year, it is difficult to reasonably estimate their impact at this moment.

Independent Auditor's Report



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Independent Auditor's Report

The Board of Directors
Tokyu Fudosan Holdings Corporation

Opinion

We have audited the accompanying consolidated financial statements of Tokyu Fudosan Holdings Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statement of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.



Revenue recognition for real estate sale transactions with related parties, parties with whom the Company has continuous real estate transactions, and special purpose companies	
Descriptions of Key Audit Matter	Auditor's Response
<p>The Company and its consolidated subsidiaries engage in real estate sales transactions with related parties, parties with whom the Company has continuous real estate transactions, and special purpose companies (hereinafter referred to as "related parties").</p> <p>In general, real estate sale transactions have unique conditions, and the amount of each real estate transaction is material to the financial statement. In particular, if the transferee is a related party, the transferor might have a continuous relationship through engaging in property management, having repurchase conditions, or holding a part of equity of the transferee. In such cases, judgement about whether almost all risks and economic values are transferred or not, might be complex and judgmental. If this judgment is incorrect, there is a risk that revenue or gain on sale might be recognized for the real estate sale transaction where almost all of the risks and economic values are not transferred to the transferee. Also, if the transferee is a related party, there is a risk that the transaction amount might be intentionally manipulated to recognize improper revenue or gain on sale, or avoid loss.</p> <p>Therefore, we determined that revenue recognition for real estate sale transactions with related parties is a key audit matter.</p>	<p>We conducted the following procedures to verify real estate sale transactions with related parties:</p> <ul style="list-style-type: none"> • Read the related approval documents, the minutes of the Group Executive Committee, and the minutes of the Board of Directors in order to understand the transactions. • Read the related sales contracts and other agreements, and inquired of management, in order to understand and assess the transaction terms and conditions. • Obtained an understanding of the relationship with the transferee, and the rationality for the transactions, and confirmed the consistency of our understanding with related external information, where available. • Compared the transaction price with similar historical transaction and the real estate appraisal report in order to verify the transaction amount. • Reviewed the bank statement and the certified copy of registry, in order to confirm the fact of transfer.



Impairment of Non-current assets of large-scale real estate developments	
Description of Key Audit Matter	Auditor's Response
<p>The Company and its consolidated subsidiaries engage in real estate development business. Under this business, assets are recorded as Non-current assets such as Land and Construction in progress on the Consolidated Balance Sheet. When an affiliate engages in the real estate investment business, its assets are recorded as Investment securities on the Company's Consolidated Balance Sheet.</p> <p>In the real estate development business, there is a risk that the investment cannot be recovered due to the changes in the development plan. Specifically, the following events might cause those changes: disagreement with landowners, disapprovals from the local government, delay of the construction, increase of construction costs, and delay of tenant leasing.</p> <p>In particular, large-scale real estate developments require large investments and have long development periods, therefore, they have a high degree of uncertainty and material potential impact on the financial statements.</p> <p>In terms of impairment of real estate development assets, the Company is required to determine if an indication of impairment exists, based on assumptions, such as the status of negotiation with landowners and local governments, planned tenant rent and occupancy rate, and construction costs. This impairment process includes significant judgement and assumptions by management. Consequently, there is a risk that impairment loss might not be recorded appropriately.</p> <p>Therefore, we determined that the impairment of Non-current assets of large-scale real estate developments is a key audit matter.</p>	<p>We conducted the following procedures to identify whether there is any indication of impairment on Non-current assets of large-scale real estate developments:</p> <ul style="list-style-type: none"> • Read the related approval documents, minutes of the Group Executive Committee, and minutes of the Board of Directors in order to understand the business plans and its progress. • Inquired of management and the department in charge, to understand the status of negotiation with landowners and local governments, the status of applications, and approval from city planning and scheme of exchange rights with new building. Confirmed the consistency of their responses with related external information, where available. • Inspected the development site to corroborate the information in the related documents read and responses received from management. • Compared the assumptions for planned tenant rent, occupancy rate, and construction cost with similar development projects and prior development results. • Read the related contracts when a construction contract or a lease contract was entered into as the development progresses, and compared the assumptions in the business plan with those contracts.



Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 25, 2020

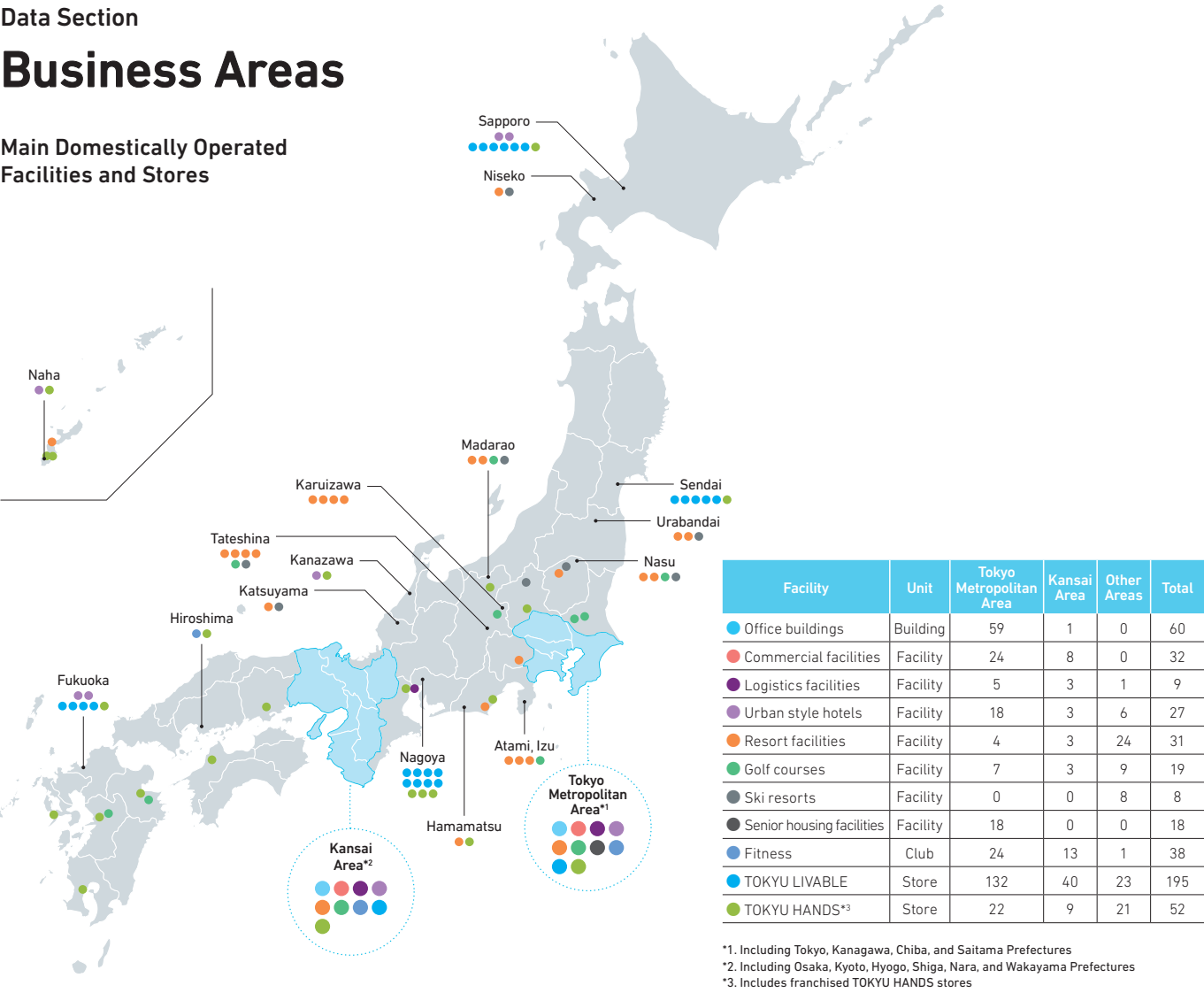
町之内 和徳 
Kazunori Takenouchi
Designated Engagement Partner
Certified Public Accountant

小島 亘司 
Koji Ojima
Designated Engagement Partner
Certified Public Accountant

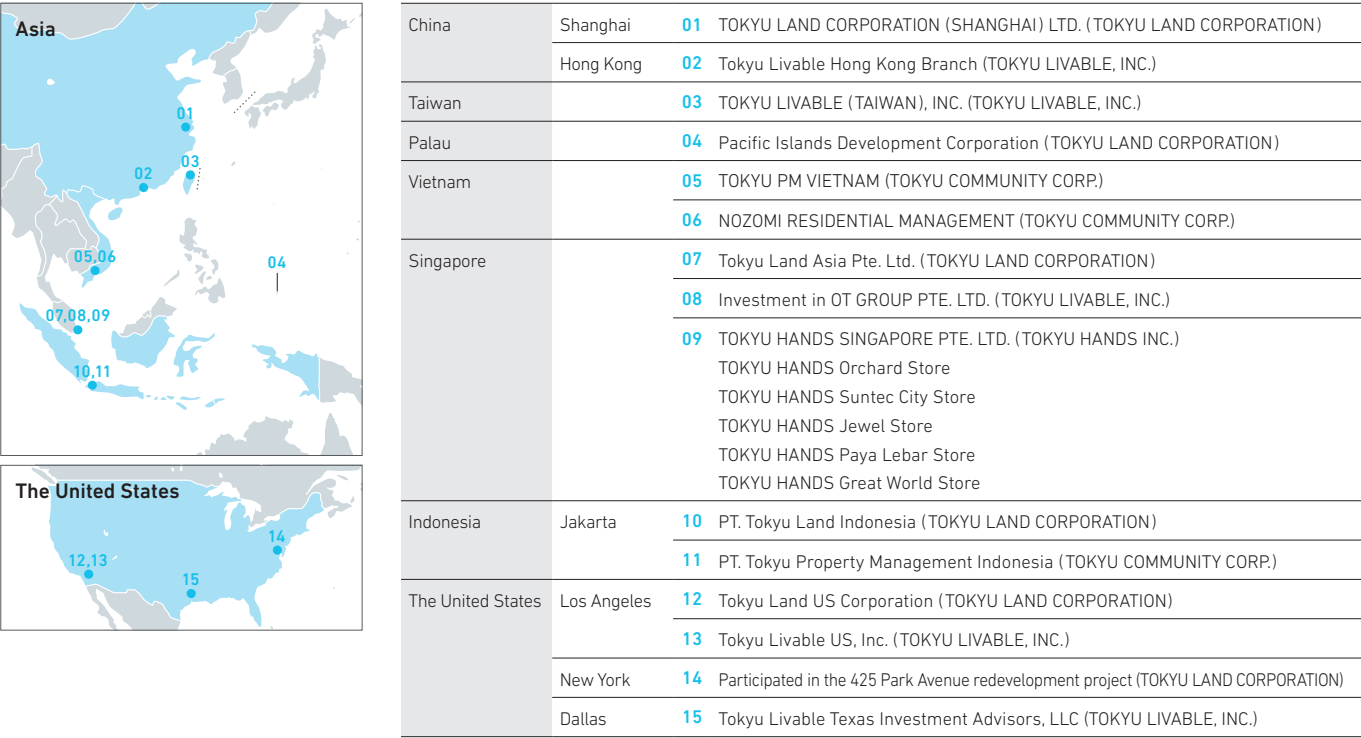
Data Section

Business Areas

Main Domestically Operated
Facilities and Stores



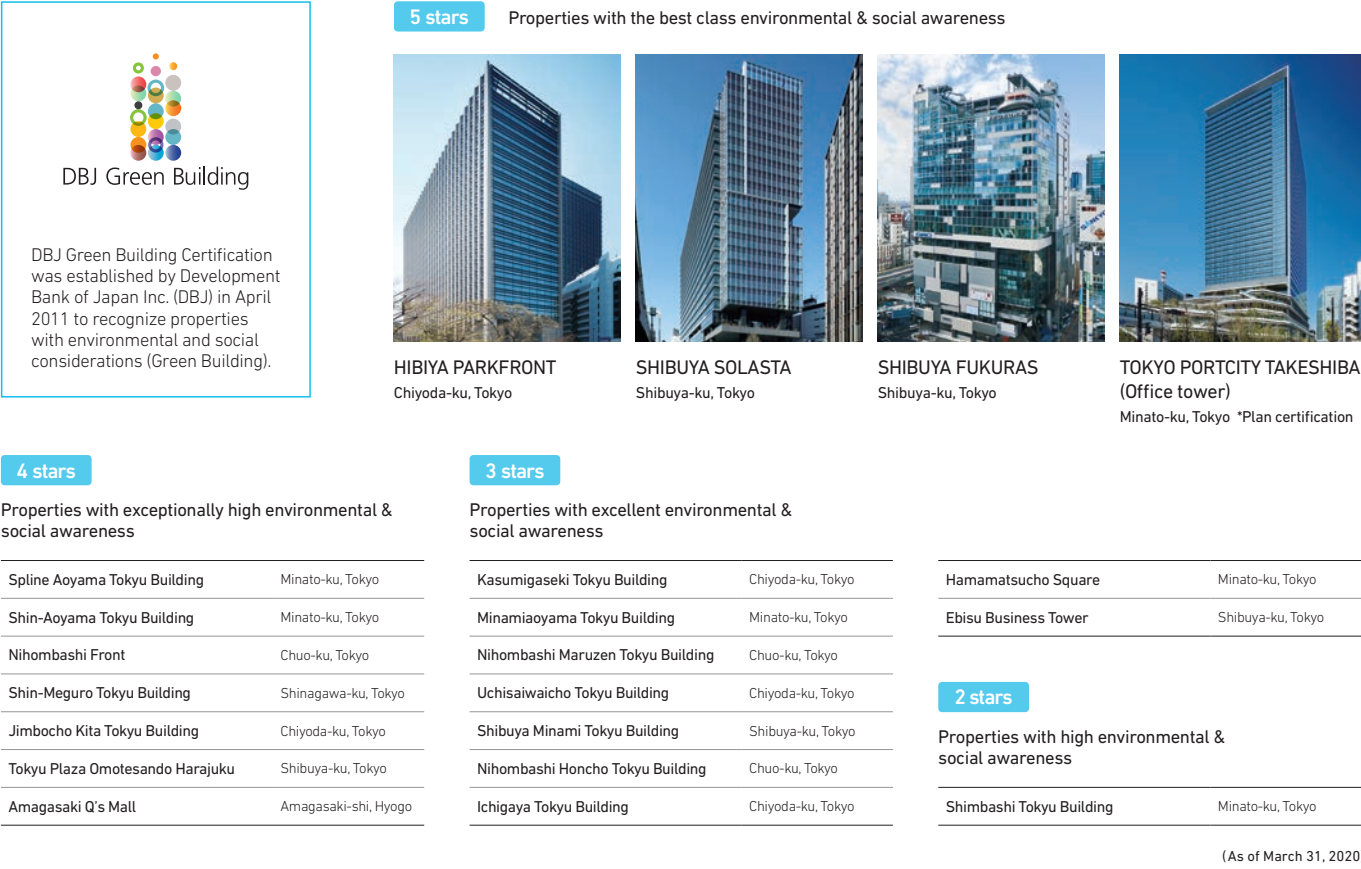
Main Overseas Bases



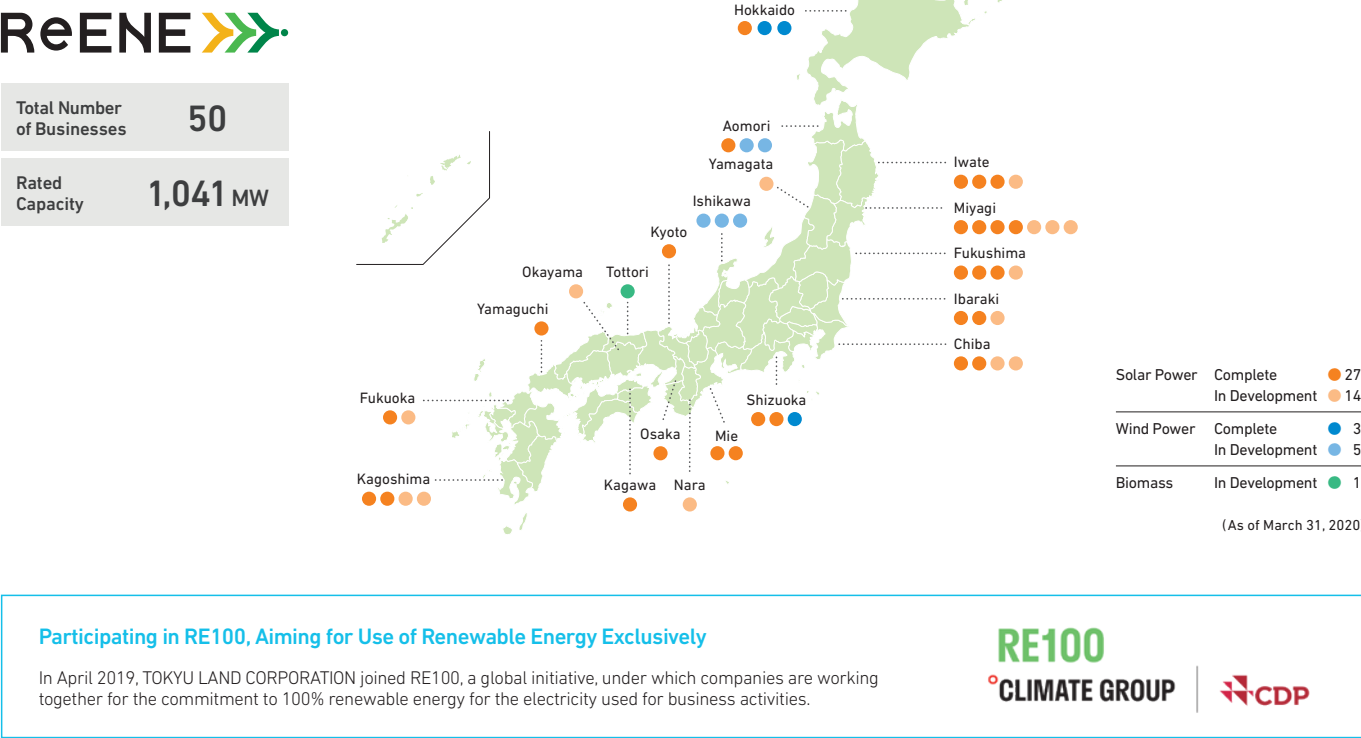
Data Section

Socially and Environmentally Friendly Assets

List of Environmental Real Estate (DBJ Green Building Certification)



Renewable Energy Business List









Data Section

Corporate Overview and Stock Information

Holdings Structure

At the Tokyu Fudosan Holdings Group, we operate seven businesses: Urban Development, Residential, Property Management, Real Estate Agents, Wellness, Tokyu Hands, and Innovation Business. Leading roles are played by six core operating companies under Tokyu Fudosan Holdings Corporation as the holding company. They are TOKYU LAND CORPORATION, TOKYU COMMUNITY CORP., TOKYU LIVABLE, INC., TOKYU HANDS INC., Tokyu Housing Lease Corporation, and NATIONAL STUDENTS INFORMATION CENTER CO., LTD.

<div> TOKYU FUDOSAN HOLDINGS</div>					
<div> TOKYU LAND CORPORATION</div>	TOKYU COMMUNITY CORP.	<div></div>	<div></div>	<div></div>	<div></div>

TOKYU LAND CORPORATION	TOKYU COMMUNITY CORP.	TOKYU LIVABLE, INC.	TOKYU HANDS, INC.	Tokyu Housing Lease Corporation	NATIONAL STUDENTS INFORMATION CENTER CO., LTD.
TOKYU SPORTS OASIS Inc. ISHIKATSU EXTERIOR INC. EWEL, Inc. TLC REIT Management Inc. Tokyu Land Capital Management Inc. TOKYU LAND SC MANAGEMENT CORPORATION Tokyu Resorts & Stays 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. Tokyu Re·design Corporation HOC PARTNERS PFI Co., Ltd. PT. Tokyu Property Management Indonesia TOKYU PM VIETNAM NOZOMI RESIDENTIAL MANAGEMENT	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.	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					

(As of July 1, 2020)

Corporate Overview

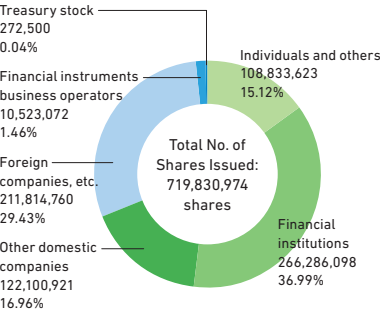
Corporate name	Tokyu Fudosan Holdings Corporation	Business activities	Management and administration of the Tokyu Fudosan Holdings Group
Address	1-21-1 Dogenzaka, Shibuya-ku, Tokyo 150-0043, Japan	Established	October 1, 2013
Representative	Hironori Nishikawa, President and Representative Director	Capital	¥77,562 million (As of March 31, 2020)
		Employees	67 (consolidated: 22,953) (As of March 31, 2020)

Stock Information (As of March 31, 2020)

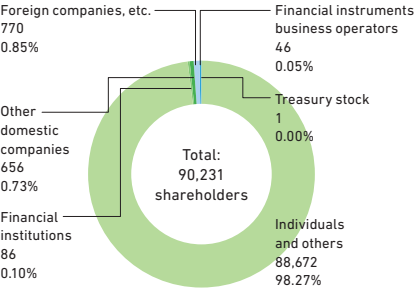
Listed stock market	Tokyo Stock Exchange	(Shareholder registry administrator)	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, 100-8233, Japan
Securities code	3289	(Mailing address)	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency 2-8-4 Izumi, Suginami-ku, Tokyo, 168-0063, 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, 2020)

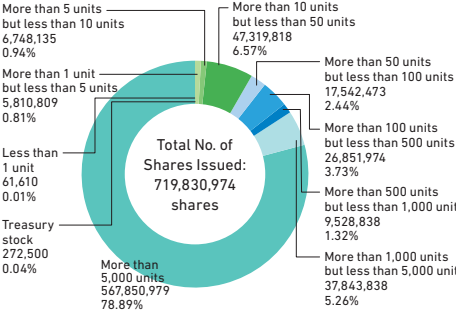
Breakdown of Shares by Shareholder



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)	60,437	8.40%
Japan Trustee Services Bank Ltd. (Trust Account)	60,008	8.34%
Sumitomo Mitsui Trust Bank, Limited	16,008	2.22%
The Dai-ichi Life Insurance Company, Limited	14,918	2.07%
SSBTC CLIENT OMNIBUS ACCOUNT	12,524	1.74%
Japan Trustee Services Bank Ltd. (Trust Account 7)	11,697	1.63%
Japan Trustee Services Bank Ltd. (Trust Account 5)	10,919	1.52%
JP MORGAN CHASE BANK 385151	10,612	1.47%
STANDARD LIFE ASSURANCE LIMITED-PENSION FUNDS	9,250	1.29%

* The percentage of shares held is calculated after deducting 272,500 of treasury stock.

On Publishing the 2020 Integrated Report

This year’s integrated report is the fifth to be issued by Tokyu Fudosan Holdings Corporation. The importance of integrating both our financial and non-financial information and communicating details of our corporate value creation to our stakeholders is increasing with each year, and we make improvements to the content that we disclose on an annual basis.

In this year’s report, we endeavored to convey our ideal vision of “To Become a Corporate Group that Continues to Create Value” in an easily understandable story, with specific details.

This year’s core theme is Lifestyle Creation 3.0. To enable readers to gain a deep understanding of the story of our value creation utilizing the Group’s three core strengths and the breadth of its business wingspan, we sought to improve and enhance the content of the report with features on projects that lead to the creation of future lifestyles through our proposal of new home, work and play styles.

We have also reflected the requests of our investors. In the new report, we summarized the value provided through businesses (outputs) and value provided to society (outcomes) created as a result, with additional editing to enable readers to understand the impact of our business on society.

We also had our outside directors participate in online round-table talks to exchange opinions, and heard their frank and unreserved opinions on various issues, including how communication has been and should be conducted during the COVID-19 pandemic.

Although the business environment has changed dramatically in the face of this crisis, the Group’s stance in aiming for sustainable growth and society remains unshaken. We will continue to thoroughly communicate details of our further growth in the future, and our mission in supporting social infrastructure. Advancing the process of digital transformation (DX) is another pressing issue for the Group. I, as director responsible for DX, will be working to implement transformations in business models within the Group with a sense of urgency.

As of this year, we also decided to stop printing paper copies of our report, and disclose it to our stakeholders on our website. This decision was based on our desire to drive the advancement of digitalization, and our consideration for the global environment.

As a company working to resolve social issues through its business activities, we have participated in the UN Global Compact advocated by the United Nations, and are supporting its Ten Principles with regard to human rights, labor, the environment and anti-corruption. We have also committed to contributing to the achievement of the Sustainable Development Goals (SDGs) adopted by the UN in 2015, with a view to building a sustainable society.

Looking ahead, we will continue to value the importance of dialogs with our stakeholders, and create various opportunities for communication.

October 2020



Shouhei Kimura
Director, Operating Officer
Supervisor for General Management,
Digital Transformation Promotion Office Supervisor
Responsible for publishing the 2020 Integrated Report
Tokyu Fudosan Holdings Corporation

Under the direction of Director Shouhei Kimura, members from the Corporate Communication Department, together with the Group Corporate Planning and Group General Administration departments formed the administrative office for compiling this report. We summarized concepts spanning the Group, while coordinating closely with Group companies. The administrative office held a total of 16 editorial meetings (shifting to an online format as of April), as well as holding theme-based subcommittee meetings and conducting interviews as required in order to compile the report. We hope that this report will be useful to stakeholders as a communication tool for gaining an understanding of our Group.

Administrative office and cooperative departments: Corporate Communication Department (Investor Relations Department / Sustainability Office / PR Department) / Group Corporate Planning Department / Group General Administration Department / Group Planning Strategy Department / Group Human Resources Department / other departments and members of each Group company



Screenshot of an online editorial meeting



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.