

# ANNUAL REPORT 2002

Year Ended March 31, 2002



TOKYU LAND CORPORATION

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# BUSINESS REPORT

## Years ended March 31, 2002

### . Outline of business

#### 1. Five-Years Financial Highlights

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

	Yen(millions)					U.S.dollars (thousands)
	1998	1999	2000	2001	2002	2002
Revenue from operations	¥ 493,769	¥ 525,852	¥ 484,861	¥ 488,872	¥ 494,453	\$ 3,717,692
Operating income before depreciation	36,196	29,024	32,607	38,220	38,316	288,090
Gross profit	93,611	89,482	84,531	94,184	97,426	732,526
<i>Gross margin rate</i>	19.0%	17.0%	17.4%	19.3%	19.7%	19.7%
Selling general and administrating expenses	70,165	72,064	64,119	68,668	71,848	540,211
<i>Sales selling ratio</i>	14.2%	13.7%	13.2%	14.0%	14.5%	14.5%
Operating income	23,446	17,418	20,412	25,516	25,578	192,316
Other income	10,880	4,040	23,415	2,878	7,085	53,271
Other expenses	37,066	41,763	54,620	24,066	20,073	150,925
Income before income taxes and minority interests	(2,740)	(20,305)	(10,793)	4,328	12,590	94,662
Net income(loss)	¥ (4,219)	¥ (22,587)	¥ (14,291)	¥ 2,884	¥ 7,242	\$ 54,451

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

	Yen(millions)					U.S.dollars (thousands)
	1998	1999	2000	2001	2002	2002
Assets	¥ 988,417	¥ 947,501	¥ 872,458	¥ 890,835	¥ 875,909	\$ 6,585,782
Common stock	32,154	32,154	32,154	32,154	32,154	241,759
Shareholder' equity	71,479	49,324	36,982	58,377	63,389	476,609
<i>Shareholder' equity ratio</i>	7.2%	5.2%	4.2%	6.6%	7.2%	7.2%
Borrowings	587,908	579,716	539,001	504,716	472,760	3,554,586
EBITDA-magnification	16.2	20.5	16.5	13.3	12.5	12.5
ROA	2.4%	1.9%	2.4%	2.9%	3.0%	3.0%

##### (3) Others

	Yen(millions)					U.S.dollars (thousands)
	1998	1999	2000	2001	2002	2002
Capital expenditure	¥ 11,226	¥ 35,252	¥ 32,842	¥ 27,085	¥ 14,787	\$ 111,180
Payment for equity investment	-	-	1,136	5,832	11,626	87,414
Depreciation and amortisation	12,752	11,587	12,196	12,704	12,738	95,774

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

	Yen(millions)					U.S.dollars (thousands)
	1998	1999	2000	2001	2002	2002
CF from operating activities	¥ -	¥ -	¥ 27,722	¥ 45,867	¥ 32,091	\$ 241,286
CF from investing activities	-	-	(4,196)	(21,671)	9,968	74,947
CF from financing	-	-	(51,314)	(34,854)	(37,121)	(279,105)
Cash and cash equivalents at the end of the year	¥ -	¥ -	¥ 63,823	¥ 53,109	¥ 59,588	\$ 448,030

## **2. Business policy**

### **Basic policy**

The Group is in a general life industry, looking at people and their living through its six business approaches and aiming to create beautiful living environments with customers, under the slogan “Toward a Beautiful Age”. Although our basic objectives for business are stable growth and establishment of business foundation, we, as a member of Tokyu Group, also strive for enhancement of Tokyu’s brand image representing security and trust.

To practice “Work independently and in collaboration”, one of Tokyu Group’s management policy, two consolidated subsidiaries - Tokyu Community Corporation and Tokyu Livable, Inc.- are listed on the Tokyo Stock Exchange for the purpose of further managerial improvement and business growth with deposits from shareholders in the market. With stronger cooperation with its subsidiaries (42 consolidated subsidiaries) and affiliates (four equity-method companies), the Company intends to make further efforts to enhance the consolidated corporate value as a group engaging in the “general life industry”.

### **Operating ratios used as benchmarks**

For “the consolidated mid-range business plan for FY 2000-2004” prepared in FY2000, the EBITDA ratio, representing the relationship between operating profit before depreciation and interest-bearing debts, is used as a benchmark for financial soundness and the improvement of ROA is used as a benchmark for asset efficiency.

The EBITDA ratio (Interest bearing borrowings / EBITDA)

FY 2004: less than 10 times (FY2000: 13.3 times FY2001: 12.5times projection for FY2002: 11.9 times)

ROA over 4%(operating income + non-operating income) / total asset

FY 2004: over 4% (FY2000: 2.9% FY2001: 3.0% projection for FY2002: 3.3%)

### **The medium to long-range business strategy and challenges**

After the collapse of the “real estate bubble”, the Company has committed itself to disposition and value adjustment of the high book value assets acquired during the bubble period. In FY1999, the Company revalued the land for business use (on a parent basis), and recognized revaluation loss for the real estates for sale. Its challenge ahead is to achieve the profitability appropriate for its asset value and improve furthermore. For that purpose, the Company, on a parent basis, plans for sound management practices and aims for an increase of the shareholder value on a consolidated basis, which is to resume dividend at an earliest possible stage through the establishment of business practices that enables a steady business growth based on “the consolidated mid-range business plan”.

The basic policy of the consolidated mid range business plan created in FY2000 includes that each of the six business segments (real estate sales, retail, leasing of real estate, property management, resorts, real estate agent and other) should concentrate on its niche portion of the existing business for a steadier profitability. The plan also suggests that the Group should efficiently work together on “the securitization business to address the development of the REIT market”, “the development of the businesses to efficiently utilize real estates inventory”. In June 2000, the Company established “Tokyu Real Estate Investment Management Inc.”, a real estate investment advisory company with Tokyu Corporation.

Furthermore, the Group has taken steps to restructure the group businesses based on its basic business policy “selection and concentration”, to strive for efficient management and enhanced sales power. The efforts include the consolidation of non-life insurance agents of each Group company into “TOKYU INSURANCE CONSULTING CO., LTD.”, which was jointly established by four Group companies.

The Company also studied its management system that can accommodate a rapidly changing business environment. Effective as of April 1 this year, the Company executed the restructuring of the management structure, which segregated the functions “the managerial decision-making and supervising execution of business” and “execution of business” both of which were previously performed by directors and delegated them to directors and executive officers, respectively. Further, the Company has established “Audit Department” to enhance its internal audit system including the risk management and the compliance.

With the arrival of the new century, the Company intends to establish a group with a distinctive character and high competitiveness based on its two keywords - “speed” to quickly accommodate the rapidly changing era and “evolution” to constantly create products that meet the market demand.

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

#### **Overview**

In the real estate sales market, the sales of large-scaled and skyscraper condominium in the metropolitan area showed an overall positive results due to an impact of lower interest rate and tax deduction for home mortgage loan. On the other hand, customers became to show stronger interest in better locations and better product plans, and the supply-demand relationship in the leased building market started to change in the fall because of the reduction in demand for offices by IT companies and foreign companies although the vacant room rates still remains at low level. All of these situations suggest the uncertainty of the future of the business environment surrounding our industry. Furthermore, leisure-related market continued to experience the severe situation due to cut-down on leisure expenditure and increasing price competition.

Under these circumstances, the Company strived to improve the profitability in each business area through sales activity that meets market needs and thorough cost management and by concentrating the business resources and establishing the efficient structure with the merger of subsidiaries and integration of business. As a result, the revenue from operations for the year totaled ¥494,453 million, an increase of ¥5,581 million from the previous year. Operating profit increased by ¥62 million to ¥25,578 million, ordinary profit increased by ¥3,699 million to ¥14,751 million. Loss from sales of real estate of ¥4,336 million has been charged to extraordinary loss, but net income for the year amounted to ¥7,242 million, an increase of ¥4,358 million from the previous year, exceeding the target under the management plan with a record high ordinary profit.

Acceleration of capital turnover in the retail sector and the sale of under-utilized fixed assets and securities contributed to a decrease of ¥31,956 million in interest bearing debts at the end of the current year to ¥472,760 million.

Stockholder’s equity at the year end amounted to ¥63,389 million, an increase of ¥5,012 million with net profit for the year of ¥7,242 million.

The following sales by operating segments include sales from inter segment transactions.

#### **Real estate sales**

In the real estate sales business, the Company concentrated on metropolitan area, especially in Tokyo and Kanagawa, and strived for providing high quality housing to meet the diversified customer needs with introduction of product planning concept “NEXT-ing”, development of “QUALIA” series, small scaled urban-type condominium plan in convenient locations, that mainly targets for single female, DINKS, and senior aged customers. The Company sold 3,893 houses, decreased by 854 houses from previous year, including ready-built

houses and holiday cottages. The Company completed other contract work worth ¥64,011 million, a decrease of ¥5,640 million due to a slow market. As a result, sales decreased by ¥7,030 million to ¥200,458 million, and operating profit decreased by ¥3,695 million to ¥5,262 million.

### Retail

The Company worked on enhancement of consulting sales by taking advantage of the characteristics of Tokyu Hands and on expansion of product lineups, including the increase in original brand products “HANDS SELECT”, etc. Popular products such as health and fitness goods also contributed to positive results from the middle of the first half of the year, and the sales in existing store increased 3.8%. The Company opened a small-size specialty shop “HANDS SELECT Bath & Kitchen Aoba-dai Shop” in March, and sales increased by ¥3,401 million to ¥100,164 million, a record high, and operating profit increased by ¥841 million to ¥3,184 million.

### Leasing of real estate

Despite the concerns regarding the increase in vacant room rates due to a decrease in demand from IT companies and foreign companies and an increase in supply of new buildings, the vacant room rates remains at low level of 2.1% (1.8% in the previous year). The Company has started new constructions for “Nihonbashi 1-chome project” and “Yebisu 1-chome project” and promoted the development of shopping centers, “METS OZONE” and “Mino-o shopping center project”, using the development-type real estate securitization method. The Company opened “Aoyama Tokyu Building” and leased “Nishi-shinbashi Tokyu Building”, “Yotsuya Broadcasting Center”, “Sanban-cho Tokyu Building”, etc. during the year. The apartment business hotel chain “Tokyu Stay” which consists of eight hotels with 800 rooms in the Tokyo metropolitan area opened “Tokyu Stay Yotsuya” in May, and all hotels operated at high occupancy rates during the year. As a result, the business recorded sales of ¥74,290 million, an increase of ¥3,576 million, and operating profit of ¥14,158 million, an increase of ¥2,653 million from the previous year.

Also, the Company implemented an aggressive asset replacement method to improve asset efficiency, which include sales of ten small buildings, ¥7.4 billion of capital investments and equity investment of ¥11.6 billion in an SPC.

### Property management

As the selection of management companies and competition for orders becomes severe after the announcement of “the Law Regarding Due Condominium Management” in August 2001, the Company has made efforts to improve customer service through reconstruction of IT-focused business operating system and computer systems. In the condominium management business, the Company obtained 323 new orders to manage 21 thousand houses with an active community-based proposal-oriented sales method. In the general building management business, the Company continued proposal-oriented sales with enhanced consulting services to strengthen comprehensive building management services, which resulted in receiving 87 new orders. As a result, sales amounted to ¥62,139 million, an increase of ¥3,003 million from the previous year, and operating profit amounted to ¥2,537 million yen, an increase of ¥267 million.

### Resorts

Tokyu Harvest Club, a membership resort hotel, launched a new facility named “Kyu-Karuizawa” in July 2001, and started sales of membership of “Hakone Koshien”, the 18<sup>th</sup> facility, in February 2002. Tokyu Sport Oasis, an urban sports club, opened a new branch at Hon-atsugi, Kanagawa in August, making 19 branches in total. Despite the adverse effects in sales from five ski resorts and 14 golf courses caused by an decrease in unit price, the

Company managed to record the sales of ¥34,677 million, a decrease of ¥511 million from the previous year, and operating profit of ¥815 million, an increase of ¥153 million as a result of the efforts to strengthen management system with integration of nationwide management companies and to cut down on costs.

#### Real estate agent and other

Despite the slow business in the Kansai region and other local area, the opening of new offices and expanding the existing offices in the Tokyo metropolitan area contributed to an increase in the number of agent services provided by the Company by 752 cases to 12,854 cases. However, the billing amount totalled in ¥452.3 billion, showing only a slight increase due to a decrease in billing amount per case. Also, the billing amount from the entrusted sales decreased by ¥9 billion to ¥228.8 billion due to a decrease in unit price. As a result, sales amounted to ¥39,144 million, an increase of ¥2,962 million, and operating profit amounted to ¥3,338 million, a decrease of ¥33 million from the previous year.

#### Cash flow

Cash and cash equivalents (hereafter “fund”) provided by operating activities and investing activities were ¥32,091 million and ¥9,968 million, respectively. The fund used in financing activities was ¥37,121 million, due to the repayments of interest-bearing debts. As a result, the fund increased by ¥4,991 million from the end of the previous year to ¥59,588 million with additional ¥1,488 million from new consolidation.

(Cash flow from operating activities)

The fund provided by operating activities amounted to ¥32,091 million, a decrease of ¥13,776 million from the previous year, due to net income before income taxes of ¥12,590 million, depreciation expenses of ¥12,738 million, and an increase of ¥12,683 million in deposits received from certain joint venture businesses.

(Cash flow from investing activities)

The fund provided by investing activities amounted to ¥9,968 million, an increase of ¥31,638 million from the previous year, due to the proceeds from sales of equity in Tokyu Corporation of ¥23,368 million and proceeds from sales of fixed assets such as buildings of ¥7,106 million exceeded the expense from acquisition of fixed assets including “Yebisu 1-chome project” and “Tokyu Harvest Club Kyu-Karuizawa” of ¥14,787 million and equity investment of ¥11,626 million in SPC for investment in buildings.

(Cash flow from financing activities)

The fund used in financing activities amounted to ¥37,121 million, a decrease of ¥2,267 million from the previous year, due to repayment of debts and redemption of bonds amounting to ¥32,490 million.

## **4. Capital Expenditure**

For the current consolidated fiscal year, the Group invested ¥14,787 million primarily in the acquisition of new business assets in the Leasing of Real Estate and Resorts, including the construction of Tokyu Harvest Club Kyu-Karuizawa (opened in July 2001) and Tokyu Stay Yotsuya (opened in May 2001).

## **II. Outline of the Company**

### **1. Major Business**

(1) Real Estate Sales

Development and sales of condominiums and houses, construction of custom-built houses

(2) Retail Sales

Retail sales of materials and products for living and D-I-Y in Tokyu Hands Shops

(3) Leasing of Real Estate

Leasing of buildings to be used for offices, stores and shops, and hotels; and management of shopping centers

(4) Property Management

Facilities management for buildings, condominiums and apartments

(5) Resorts

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

(6) Real Estate Agent and Other

Real estate agent, insurance agency, etc

### **2. Distribution of Common Stock of the Company**

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

1,000,000,000 shares

(2) Total number of shares issued:

457,256,304 shares

(3) Number of shareholders: 64,006

(4) Principal shareholders:



Name of Shareholder	Investment by each principal shareholder in the Company		Investment by the Company in each principal shareholder	
	Number of shares held	Percent of total shares issued	Number of shares held	Percent of total shares issued
	(thousand shares)	(%)	(thousand shares)	(%)
Tokyu Corporation	69,664	15.2	521	0.0
The Chuo Mitsui Trust and Banking Company, Limited	22,937	5.0	-	-
The Dai-ichi Mutual Life Insurance Company	20,383	4.5	-	-
Nippon Life Insurance Company	20,359	4.5	-	-
The Sumitomo Trust and Banking Company, Limited	10,018	2.2	2,360	0.2
The Mitsubishi Trust and Banking Corporation	9,958	2.2		
The Bank of Tokyo-Mitsubishi, Ltd.	9,074	2.0		

Note :

1. Non-voting preferred stocks are excluded from the computation of the ratio of shareholding in the Sumitomo Trust and Banking Company, Limited.
2. The Company holds 4,893 thousand stocks (ratio of shareholding: 0.6%) of Mitsui Trust Holdings, Inc., a holding company of the Chuo Mitsui Trust and Banking Company, Limited, and 4,890.4 stocks (ratio of shareholding: 0.1%) of Mitsubishi Tokyo Financial Group, Inc., a holding company of the Mitsubishi Trust and Banking Corporation and the Bank of Tokyo-Mitsubishi, Ltd. Non-voting preferred stocks are excluded from the computation of the ratio of shareholding in Mitsui Trust Holdings, Inc. and Mitsubishi Tokyo Financial Group.

### **3. Employees**

Segment of business	Number of employees	Number of temporary employees
Real Estate Sales	1,331	(47)
Retail Sales	3,431	(326)
Leasing of Real Estate	643	(11)
Property Management	4,894	(1,915)
Resorts	1,429	(1,244)
Real Estate Agent and Other	2,094	(54)
Whole Company (Common)	270	(4)
Total	14,092	(3,601)

Note :

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

#### **4. Information on Major Subsidiaries**

Name	Paid-in capital	Percentage of shares owned by the Company	Principal business
	(million yen)	(%)	
Tokyu Community Corporation	1,653	* 59.32	Management of buildings and condominium apartments
Tokyu Livable, Inc.	1,396	* 60.88	Intermediary and sales agency for land and buildings
Tokyu Home Corporation	400	100.00	Housing construction
Tokyu Hands, Inc.	400	75.00	Retail Sales of D-I-Y goods
Tokyu Amenix Corporation	100	100.00	Remodeling and rebuilding
Tokyu Loan & Guarantee Corporation	100	100.00	Guarantees for home loans and loan business
Ishikatsu Exterior, Inc	200	* 99.52	Design, execution, and management of landscape gardening and construction
Tokyu Resort Corporation	480	100.00	Sales, commission sales, and agent for villas
Tokyu Relocation Corporation	50	100.00	Real Estate management, leasing, sales and agency

Note:

1. Shares marked with \* include indirect ownership, through the Company's subsidiaries.
2. Tokyu Community Corporation and Tokyu Livable Inc. are listed on the Tokyo Stock Exchange.

## **5. Principal lenders**

Lender	Amount of borrowing	Shares of the Company held by lender	
		Number of shares held by lender	Percentage of shares owned by lender
	(million yen)	(thousand shares)	(%)
The Chuo Mitsui Trust and Banking Company, Limited	68,277	22,937	5.0
The Sumitomo Trust and Banking Company, Limited	51,025	10,018	2.2
The Mitsubishi Trust and Banking Corporation	48,254	9,958	2.2
The Bank of Tokyo-Mitsubishi, Ltd.	46,546	9,074	2.0
The Industrial Bank of Japan, Limited	42,423	7,242	1.6

Note:

1. The Industrial Bank of Japan, Limited has become Mizuho Corporate Bank, Ltd. as of April 1, 2002 due to an integration and restructuring of Mizuho Financial Group. Also, the aggregate amount of outstanding borrowings from Mizuho Corporate Bank, Ltd. are 54,761 million yen, and the number of holding stocks are 9,439 thousand stocks (ratio of shareholding: 2.1%), the sum of those assumed from the Industrial Bank of Japan, Limited, Dai-ichi Kangyo Bank, Limited and the Fuji Bank, Limited .

## **6. Directors and Statutory Auditors**

Name and Position

Chairman and Director

Tetsuro Aki

President and Director

Masatake Ueki\*

Directors:

Masahiro Harada

Takahiko Dobashi

Rikuji Okawa

Kiyoshi Kanazashi

Tokihiko Ishigaki

Yoshiaki Maeda

Kazuo Tanji

Kazutoshi Suzuki

Yoshihiro Nakajima

Motonobu Nakamura

Mitsuru Uchiyama

Hiroshi Fujiki

Osamu Arima

Shinobu Shimizu

Kuniyoshi Ihara

Masatoshi Miura

Tsugio Sone

Tatsuyuki Kawasaki

Seiichi Tonami

Statutory Auditors:

Hiromichi Nogi

Nobuo Kinya

Katsuhiko Nishiyama

Koichi Iki

(as of March 31,2002)

Note:

1. Directors marked with \* are Representative Directors.

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Tokyu Land Corporation

We have audited the consolidated balance sheets of Tokyu Land Corporation and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above, expressed in yen, present fairly the financial position of Tokyu Land Corporation and consolidated subsidiaries at March 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles and practices generally accepted in Japan consistently applied on a consistent basis.

As described in Note 1 to the consolidated financial statements, Tokyu Land Corporation and consolidated subsidiaries adopted new accounting standards for available-for-sale securities effective April 1, 2001 and new accounting standards for employees' retirement and severance benefits, financial instruments except for available-for-sale securities and translation of foreign currency transactions effective April 1, 2000 in the preparation of their consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2002 are presented solely for convenience of the reader. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

*Shin Nihon & Co.*

Shin Nihon & Co.

June 26, 2002

*See note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of Tokyu Land Corporation under Japanese accounting principles and practices.*

**TOKYU LAND CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**As of March 31, 2001 and 2002**

<u>Assets</u>	Yen (millions)		U.S.dollars (thousands) (Note 2)
	2001	2002	2002
<b>Current assets:</b>			
Cash and cash equivalents (Note 8)	¥ 53,109	¥ 59,588	\$ 448,030
Short-term investments (Note 4)	1,584	685	5,150
Trade receivables	18,691	16,983	127,692
Inventories (Notes 3, 5 and 8)	180,527	184,726	1,388,917
Short-term loans	4,712	2,843	21,376
Deferred tax - current (Note 11)	5,912	8,959	67,361
Other current assets	11,741	10,393	78,143
Allowance for doubtful accounts	(782)	(545)	(4,098)
<b>Total current assets</b>	<b>275,494</b>	<b>283,632</b>	<b>2,132,571</b>
<b>Investments and guarantee deposits:</b>			
Investments in non-consolidated subsidiaries and affiliates	5,965	16,416	123,429
Investments in other securities (Notes 4, 5 and 8)	42,550	20,275	152,444
Guarantee and lease deposits (Note 8)	67,961	63,347	476,293
Deferred tax - non-current (Note 11)	6,755	11,784	88,602
Other investments (Note 8)	32,444	28,459	213,977
Allowance for doubtful accounts	(18,528)	(15,801)	(118,805)
<b>Total investments and guarantee deposits</b>	<b>137,147</b>	<b>124,480</b>	<b>935,940</b>
<b>Property and equipment (Note 5 and 8):</b>			
Land	271,394	268,359	2,017,737
Buildings and structures	271,076	269,572	2,026,857
Machinery and equipment	33,952	34,401	258,654
Construction in progress	6,222	7,241	54,444
	582,644	579,573	4,357,692
Less accumulated depreciation	(127,197)	(134,504)	(1,011,308)
<b>Net property and equipment</b>	<b>455,447</b>	<b>445,069</b>	<b>3,346,383</b>
<b>Other assets</b>	<b>22,747</b>	<b>22,728</b>	<b>170,887</b>
	<b>¥ 890,835</b>	<b>¥ 875,909</b>	<b>\$ 6,585,782</b>

See accompanying Notes to the Consolidated Financial Statements.

			U.S.dollars (thousands) (Note 2)
<u>Liabilities, Minority interest and Shareholders' Equity</u>	<u>2001</u>	<u>2002</u>	<u>2002</u>
<b>Current liabilities:</b>			
Short-term borrowings (Note 5 and 8)	¥ 148,691	¥ 137,336	\$ 1,032,602
Current portion of long-term debt (Note 5)	93,181	108,784	817,925
Trade payables	61,745	56,637	425,842
Other payables	18,385	20,918	157,278
Accrued expenses	8,517	9,730	73,158
Accrued income taxes (Note 11)	3,405	3,443	25,887
Advances and deposits	58,662	69,227	520,504
Other current liabilities	3,294	1,795	13,496
Total current liabilities	<u>395,880</u>	<u>407,870</u>	<u>3,066,692</u>
Long-term debt (Note 5 and 8)	262,844	226,640	1,704,060
Guarantee and lease deposits received (Note 8 and 9)	139,166	133,410	1,003,083
Employees' retirement and severance benefits (Note 12)	8,869	10,029	75,406
Other liabilities	14,172	21,968	165,173
Total liabilities	<u>820,931</u>	<u>799,917</u>	<u>6,014,414</u>
Minority interests	11,527	12,603	94,759
<b>Shareholders' equity (Note 10):</b>			
<b>Common stock-</b>			
Authorized 1,000,000,000 shares			
Issued 457,256,304 shares in 2001 and 457,231,470 shares in 2002	32,154	32,154	241,759
Capital surplus	54,618	54,618	410,662
Revaluation balance (Note 17)	25,497	33,216	249,744
Accumulated deficit	(52,731)	(53,484)	(402,135)
Unrealized loss on securities, net of taxes	-	(2,119)	(15,932)
Foreign currency translation adjustment	(1,161)	(983)	(7,391)
	<u>58,377</u>	<u>63,402</u>	<u>476,707</u>
Less treasury stock at cost, 2,261 shares in 2001, 73,324 shares in 2002	<u>0</u>	<u>13</u>	<u>98</u>
Net shareholders' equity	58,377	63,389	476,609
Contingent liabilities (Note 13)	<u>¥ 890,835</u>	<u>¥ 875,909</u>	<u>\$ 6,585,782</u>

See accompanying Notes to the Consolidated Financial Statements.

**TOKYU LAND CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Years ended March 31, 2001 and 2002**

	Yen (millions)		U.S.dollars (thousands) (Note 2)
	2001	2002	2002
Revenue from operations	¥ 488,872	¥ 494,453	\$ 3,717,692
Cost of revenue from operations	394,688	397,027	2,985,165
Gross profit	94,184	97,426	732,526
Selling, general and administrative expenses	68,668	71,848	540,211
Operating income	25,516	25,578	192,316
Other income:			
Interest	347	317	2,383
Dividends	680	442	3,323
Gains on sales of property and equipment	683	424	3,188
Gains on sales of marketable securities	48	4,215	31,692
Foreign exchange income	232	142	1,068
Other	888	1,545	11,617
	2,878	7,085	53,271
Other expenses:			
Interest	12,438	11,202	84,226
Provision for and write-off of bad debts	307	9	68
Revaluation losses of inventories	-	1,267	9,526
Revaluation losses of marketable securities	1,423	1,598	12,015
Loss on disposal of property and equipment	2,031	4,370	32,857
Equity in loss of affiliates	2,166	557	4,188
Amortization of transition difference arising from change in accounting for retirement benefits	3,709	-	-
Other	1,992	1,070	8,045
	24,066	20,073	150,925
Income before income taxes and minority interests	4,328	12,590	94,662
Income taxes (Note 11):			
Current	4,532	4,841	36,398
Deferred	(3,568)	(1,011)	(7,602)
Income before minority interests	3,364	8,760	65,865
Minority interests	(480)	(1,518)	(11,414)
Net income	¥ 2,884	¥ 7,242	\$ 54,451
	Yen		U.S.dollars (Note2)
Net income per share of common stock	¥ 6.31	¥ 15.84	\$ 0.12

See accompanying Notes to the Consolidated Financial Statements.



**TOKYU LAND CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**Years ended March 31, 2001 and 2002**

	Yen (millions)		U.S.dollars (thousands) (Note 2)
	2001	2002	2002
<b>Common stock (Note 10):</b>			
Balance at beginning of year	¥ 32,154	¥ 32,154	\$ 241,759
Balance at end of year	¥ 32,154	¥ 32,154	\$ 241,759
<b>Capital surplus (Note 10):</b>			
Balance at beginning of year	¥ 54,618	¥ 54,618	\$ 410,662
Balance at end of year	¥ 54,618	¥ 54,618	\$ 410,662
<b>Revaluation balance (Note 17):</b>			
Balance at beginning of year	¥ (1,969)	¥ 25,497	\$ 191,707
Addition	19,732	-	-
Reversal	7,734	7,719	58,038
Balance at end of year	¥ 25,497	¥ 33,216	\$ 249,744
<b>Accumulated deficit (Note 10):</b>			
Balance at beginning of year	¥ (47,820)	¥ (52,731)	\$ (396,474)
Net income	2,884	7,242	54,451
Decrease due to new consolidated subsidiaries	-	(209)	(1,571)
Reversal of revaluation balance	(7,734)	(7,719)	(58,038)
Bonuses to directors and statutory auditors	(61)	(67)	(504)
Balance at end of year	¥ (52,731)	¥ (53,484)	\$ (402,135)
<b>Unrealised loss on securities , net of taxes</b>			
Balance at beginning of year	¥ -	¥ -	\$ -
Net change during year	-	(2,119)	(15,932)
Balance at end of year	¥ -	¥ (2,119)	\$ (15,932)
<b>Foreign currency translation adjustment:</b>			
Balance at beginning of year	¥ (924)	¥ (1,161)	\$ (8,729)
Net change during year	(237)	178	1,338
Balance at end of year	¥ (1,161)	¥ (983)	\$ (7,391)

See accompanying Notes to the Consolidated Financial Statements.

**TOKYU LAND CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years ended March 31 , 2001 and 2002**

	Yen (millions)		U.S.dollars (thousands)
	2001	2002	(Note 2) 2002
<b>Cash flows from operating activities (Note 14):</b>			
Net income	¥ 2,884	¥ 7,242	\$ 54,451
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>			
Depreciation and amortisation	12,704	12,738	95,774
Provision for and write-off of bad debt	(478)	(165)	(1,241)
Equity in income of affiliates	2,166	557	4,188
Minority interests	480	1,518	11,414
Loss on disposal of property and equipment	1,751	4,326	32,526
Gain on transfer of business	-	(540)	(4,060)
Revaluation losses of marketable securities	1,538	1,598	12,015
Valuation losses on inventories	-	1,267	9,526
<b>Decrease (increase) in assets:</b>			
Trade receivables	110	1,753	13,180
Inventories	3,624	(4,987)	(37,496)
Other current assets	2,106	1,874	14,090
Other assets	(4,364)	200	1,504
<b>Increase (decrease) in Liabilities:</b>			
Trade payables	17,701	(5,108)	(38,406)
Other payables	4,075	1,431	10,759
Accrued expenses	(75)	1,146	8,617
Accrued income taxes	1,064	29	218
Advances and deposits	(7,209)	9,924	74,617
Other current liabilities	976	(1,595)	(11,992)
Other liabilities	7,282	1,928	14,496
Bonuses to directors and statutory auditors	(94)	(104)	(782)
Changes in employees' retirement allowances	4,202	1,159	8,714
Proceeds from transfer of business	-	900	6,767
Other, net	(4,576)	(5,000)	(37,594)
Net cash provided by operating activities	<u>45,867</u>	<u>32,091</u>	<u>241,286</u>
<b>Cash flows from investing activities (Note 14):</b>			
Increase in short-term investments	718	22,761	171,135
Decrease in short-term loans receivable	461	1,397	10,504
Increase in investments and guarantee deposits	904	3,112	23,398
Proceeds from sales of property and equipment	7,311	7,106	53,429
Capital expenditure	(27,086)	(14,787)	(111,180)
Payment for equity investment	(4,648)	(11,626)	(87,414)
Decrease in investment in non-consolidation subsidiaries and affiliates	-	766	5,759
Other, net	668	1,239	9,316
Net cash provided by operating activities	<u>¥ (21,671)</u>	<u>¥ 9,968</u>	<u>\$ 74,947</u>

See accompanying Notes to the Consolidated Financial Statements.

	Yen (millions)		U.S.dollars (thousands)
	2001	2002	(Note 2) 2002
<b>Cash flows from financing activities (Note 14):</b>			
Decrease in short-term borrowings	¥ (10,167)	¥ (11,110)	\$ (83,534)
Proceeds from long-term debt	56,430	77,004	578,977
Repayment of long-term debt	(80,579)	(98,385)	(739,737)
Decrease in guarantee and lease deposits received	(557)	(4,510)	(33,910)
Proceeds from capital paid by minority interests	18	(120)	(902)
Net cash provided by operating activities	(34,854)	(37,121)	(279,105)
Translation difference in cash and cash equivalents	(57)	53	398
Increase in cash and cash equivalents			
due to changes in consolidated subsidiaries	-	1,488	11,188
Net decrease in cash and cash equivalents	(10,714)	4,991	37,526
Cash and cash equivalents at the beginning of year	63,823	53,109	399,316
Cash and cash equivalents at the end of year	¥ 53,109	¥ 59,588	\$ 448,030

See accompanying Notes to the Consolidated Financial Statements.

# TOKYU LAND CORPORATION AND CONSOLIDATED SUBSIDIARIES

## Notes to Consolidated Financial Statements

### 1. Summary of Significant Accounting Policies

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

The accompanying consolidated financial statements have been prepared from the accounts maintained by Tokyu Land Corporation (“the Company”) and its subsidiaries (collectively, “the Company”) in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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

#### (b) Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

#### (c) Consolidation Policy

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany accounts, intercompany transactions and unrealised profits have been eliminated in consolidation.

Investments in significant affiliates are stated at the Company’s equity in their underlying net assets.

Investments in non-consolidated subsidiaries are stated at cost, as equity in income of non-consolidated subsidiaries would have been no material effect on the accompanying consolidated financial statements if equity method had been applied to the investments in these companies.

The accompanying consolidated financial statements for the years ended March 31, 2002 and 2001 include the accounts of the Company and any significant companies controlled directly or indirectly by the Company. Affiliates over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis.

The Company state all assets and liabilities of consolidated subsidiaries at fair value at the dates of acquisition of subsidiaries.

The excess of cost over the underlying fair value of the net assets of subsidiaries at the dates of acquisition being amortized over a five-year period.

#### (d) Recognition of Revenue

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

(e) Marketable Securities and Investments in Other Securities

Through the year ended March 31, 2000, listed securities had been valued at the lower of cost or market, cost being determined by the moving average method, and investment securities other than listed securities had been stated at cost determined by the moving average method.

Effective for the year ended March 31, 2001, the Company adopted the new accounting standard for financial instruments (“Opinion Concerning Establishment of Accounting Standard for Financial Instruments”, the Business Accounting Deliberation Council, January 22, 1999). The new accounting standard for financial instruments requires the Company to classify its securities into one of the following three categories; trading, held-to-maturity and available-for-sale securities. Based on this classification, any held-to-maturity and available-for-sale securities with a maturity of less than one year, are classified as current assets and included in investments in other securities. All available-for-sale securities with a maturity of over one year are included in investments securities as non-current assets. As a result of the adoption of this standard in the current year, securities in current assets decreased by ¥ 13,879 million and investment securities increased by ¥ 13,879 million.

The new standard requires the Company to carry held-to-maturity securities at amortized cost.

The standard allowed the Company to continue to carry available-for-sale securities at historical cost at March 31, 2001 and has required the Company state these securities with available market values at market value effective for the year beginning April, 2001.

Unrealised gains and unrealised losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders’ equity. Realized gains and losses on sale of such securities are computed using moving-average cost.

Available-for-sale securities without available fair market values are stated at historical cost computed based on weighted average cost method.

The cost of securities sold is computed based on the weighted average cost method.

(f) Inventories

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

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

(g) Property and Equipment

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

However, depreciation for large buildings that are leased to third parties and for certain golf club and ski resort facilities is computed by the straight-line method.

In accordance with amendment of Japanese tax law, depreciation for buildings acquired after April 1, 1998 is computed by the straight-line method.

Estimated useful lives are as follows:

Buildings and structures	3 to 65 years
Machinery and equipment	5 to 17 years
Vehicles	2 to 7 years
Tools, furniture and fixtures	2 to 15 years

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

(h) Income Taxes

The Company and its consolidated subsidiaries record income taxes currently payable based upon the determination of taxable income and recognize deferred income taxes based on an asset and liability-based approach.

the Company recognize deferred income taxes based on an asset and liability-based approach .

(i) Employees' Retirement and Severance Benefits

Effective from the year ended March 31, 2001, the Company adopted the new accounting standard for retirement benefits ("Opinion Concerning Establishment of Accounting Standard for Retirement Benefits", the Business Accounting Deliberation Council, June 16, 1998). In accordance with this standard, the allowance for retirement benefits for employees is provided based on the estimated retirement benefit obligation and the pension assets.

Out of the transition difference of ¥ 12,036 million arising from the adoption of the new accounting standard on April 1, 2000, that of ¥ 3,709 million arising from Tokyu Community Corporation, Tokyu Livable, Inc. and Tokyu Hands, Inc, consolidated subsidiaries, was charged to income in the year ended March 31, 2001 while the remaining ¥ 8,327 million transition difference is amortized over 15 years. In addition, the transition difference of ¥ 523 million arising on April 1, 2001 as a result of newly consolidated subsidiaries is amortized over 15 years from the year beginning on April 1, 2001. The total amortization costs of the transition difference amounted to ¥ 4,266 million and ¥ 592 million, in the year ended March 31, 2001 and 2002, respectively.

Actuarial gains and losses are amortized using the straight-line method over 10 years from their occurrences, which is the estimated average remaining service years of employees, except for those of Tokyu Community Corporation which are amortized over 5 years and those of Tokyu Livable, Inc. which are amortized over 3 years.

Past service liabilities has been generated because Tokyu Libable, Inc., a consolidated subsidiary of the Company has amendment its internal rules regarding pension plan. Past service liabilities are amortized using the straight-line method over 3 years from their occurrences, which is determined within the estimated average service years of Libable's employees.

Directors and statutory auditors are not covered by the plan described above, since the amounts payable to them are subject to various conditions and shereholder' approval and it is therefore not practicable to compute the liability for future payments.

(j) Foreign Exchange

Effective for the year ended March 31, 2001, the Company adopted the revised accounting standard for foreign currency transactions ("Opinion Concerning Establishment of Accounting for Foreign Currency Transactions",

the Business Accounting Deliberation Council, October 22, 1999). Effective of the adoption of this standard was minor.

Assets and liabilities denominated in foreign currencies are translated into Japanese yen amounts at the rates of exchange in effect at the balance sheet dates and the resulting translation gains or losses are recognized as profit or loss, except for investments in securities, property and equipment which are translated at the historical rates.

(k) Translation of Foreign Subsidiaries' Financial Statements

Under generally accepted accounting principles in Japan, assets, liabilities, revenue and expenses of the Company's subsidiaries located outside Japan are translated into Japanese yen at the rates of exchange in effect at the balance sheet dates. The foreign currency translation adjustment shown on the balance sheet arises from the translation of the foreign consolidated subsidiaries' financial statements.

(l) Net Income (Loss) Per Share

Net income (loss) per share is computed based on the average number of common stock shares outstanding during each year.

(m) 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, 2002.

**2. Basis of Translating Financial Statements**

The 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 ¥ 133=U.S.\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2002. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars at that or any other rate.

**3. Inventories**

Inventories at March 31, 2001 and 2002 are summarized as follows:

	Yen(millions)		U.S.dollars (thousands)
	2001	2002	2002
Land	¥ 134,568	¥ 144,820	\$ 1,088,872
Residential housing	37,084	31,264	235,068
	171,653	176,084	1,323,940
Merchandise	8,013	7,579	56,985
Materials and supplies	861	1,061	7,977
	¥ 180,527	¥ 184,726	\$ 1,388,917

#### 4.Short-term Investments and Investments in Securities

At March 31, 2001 and 2002, marketable securities included in short-term investments and investments in other securities are as follows:

##### (1) Bonds held to maturity

	Yen(millions)						U.S.dollars (thousands)		
	2001			2002			2002		
	Carrying value	Market value	Differe nce	Carrying value	Market value	Differe nce	Carrying value	Market value	Differe nce
Securities with unrealized gain									
1.Governmental bond	¥ 581	587	6	¥ 625	629	3	\$ 4,699	4,729	23
2.Corporate bonds	-	-	-	-	-	-	-	-	-
3.Others	-	-	-	-	-	-	-	-	-
Subtotals	581	587	6	625	629	3	4,699	4,729	23
Securities with unrealized loss									
1.Governmental bond	371	367	(3)	401	399	(1)	3,015	3,000	(8)
2.Corporate bonds	-	-	-	-	-	-	-	-	-
3.Others	-	-	-	-	-	-	-	-	-
Subtotals	371	367	(3)	401	399	(1)	3,015	3,000	(8)
Total	¥ 952	955	2	¥ 1,026	1,028	2	\$ 7,714	7,729	15

##### (2) Available-for-sale securities

	Yen(millions)						U.S.dollars (thousands)		
	2001			2002			2002		
	Acquisit ion cost	Carrying value	Differe nce	Acquisit ion cost	Carrying value	Differe nce	Acquisiti on cost	Carrying value	Differe nce
Securities with unrealized gain									
1.Stocks	¥ -	-	-	¥ 3,516	4,026	510	\$ 26,436	30,271	3,835
2.bonds	-	-	-	161	164	2	1,211	1,233	15
Governmental bond	-	-	-	161	164	2	1,211	1,233	15
3.Others	-	-	-	-	-	-	-	-	-
Subtotals	-	-	-	3,678	4,191	512	27,654	31,511	3,850
Securities with unrealized loss									
1.Stocks	-	-	-	14,012	9,665	(4,347)	105,353	72,669	(32,684)
2.bonds	-	-	-	-	-	-	-	-	-
Governmental bond	-	-	-	-	-	-	-	-	-
3.Others	-	-	-	-	-	-	-	-	-
Subtotals	-	-	-	14,012	9,665	(4,347)	105,353	72,669	(32,684)
Total	¥ -	-	-	¥ 17,691	13,856	(3,834)	\$ 133,015	104,180	(28,827)



## (3) Available-for-sale securities sold

	Yen(millions)		U.S.dollars (thousands)
	2001	2002	2002
Proceeds from sale	¥ 141	¥ 22,966	\$ 172,677
Total gain on sale	21	4,216	31,699
Total loss on sale	(3)	(18)	(135)

## (4) Other nonmarketable securities

	Yen(millions)		U.S.dollars (thousands)
	2001	2002	2002
1. Bonds held to maturity			
Non public offering bonds	¥ 1,700	¥ 1,700	\$ 12,782
2. Other securities			
Unlisted stock (Excluding OTC stocks)	4,681	3,691	27,752
Money management fund	525	0	0
Free financial fund	81	300	2,256
Medium-term governmental bond fund	249	-	-
3. Investment in non-consolidated subsidiaries and affiliates			
Unlisted stock	-	1,432	10,767

## (5) Maturity of securities with fixed maturities and securities held to maturity

	Yen(millions)								U.S.dollars (thousand)			
	2001				2002				2002			
	Within 1 year	1 to 5 years	5to10 years	After 10 year	Within 1 year	1 to 5 years	5to10 years	After 10 year	Within 1 year	1 to 5 years	5to10 years	After 10 year
1. Bonds												
1) JGBs and municipal bonds	¥ 415	687	-	-	¥ 381	809	-	-	\$ 2,865	6,083	-	-
2) Corporate bonds	-	1,711	-	-	-	1,700	-	-	-	12,782	-	-
3) Others	-	-	-	-	-	-	-	-	-	-	-	-
2. Other securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	¥ 415	2,398	-	-	¥ 381	2,509	-	-	\$ 2,865	18,865	-	-

**5. Short-term Borrowings and Long-term Debt**

Short-term borrowings at March 31, 2001 and 2002 consist loans principally from banks with interest weighted average 1.43% and 1.72% in 2001 and 2002, respectively.

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

Long-term debt at March 31, 2001 and 2002 is summarised as follows:

	Yen(millions)		U.S.dollars (thousands)
	2001	2002	2002
2.65% unsecured bonds due 2003	¥ 16,200	¥ 13,300	\$ 100,000
Loans principally from Japanese banks and insurance companies (including loans in foreign currencies), maturing 2002 to 2030, weighted average 2.20% in 2001, 2.25% in 2002.			
Secured	42,615	39,955	300,414
Unsecured	297,211	282,169	2,121,570
	<u>356,026</u>	<u>335,424</u>	<u>2,521,985</u>
Less current portion	93,181	108,784	817,925
	<u>¥ 262,844</u>	<u>¥ 226,640</u>	<u>\$ 1,704,060</u>

Under the terms of the Company's bonds outstanding at March 31, 2002 the Company will be obliged to pledge its assets as collateral when total non-consolidated (parent only) shareholders' equity becomes less than ¥ 74,400 millions (\$559,398 thousands).

The aggregate annual maturates of long-term debt after March 31, 2003 are as follows:

<u>Year ending March 31.</u>	Yen (millions)	U.S.dollars (thousands)
2004	¥ 108,111	\$ 812,865
2005	54,924	412,962
2006	34,938	262,692
2007	20,102	151,143
2008 and thereafter	8,565	64,398
	<u>¥ 226,640</u>	<u>\$ 1,704,060</u>

## **6. Commitment Line**

The Company and its consolidated subsidiaries entered into contracts for overdraft with 27 banks and commitment line with 5 banks to raise our operating capital as needed. These contracts at March 31, 2002 are summarized as follows:

	Yen (millions)	U.S.dollars (thousands)
Limit of overdraft	¥ 136,578	\$ 1,026,902
Loan ceiling amount for commitment line	20,000	150,376
Borrowing balance	(67,922)	(510,692)
Balance	<u>¥ 88,655</u>	<u>\$ 666,579</u>

## **7. Securities received for guarantees**

The company and its consolidated subsidiaries have secured loans mainly to securities companies, The fair value of securities deposited as collateral at March 31, 2002 is ¥ 2,996 million (US\$22,526 thousands).

## **8. Pledged assets and secured liabilities**

Pledged assets and secured liabilities at March 31, 2002 are summarized as follows:

### **(1) Pledged assets**

	Yen(millions)		U.S.dollars (thousands)
	2001	2002	2002
Deposits	¥ 76	¥ -	\$ -
Land for sale	3,143	3,180	23,910
Land	66,249	65,990	496,165
Buildings	39,847	39,430	296,466
Land lease rights	708	708	5,323
Investment securities	2,144	2,549	19,165
Guarantee money deposited	621	543	4,083
Membership deposits	13	13	98
	<u>¥ 112,803</u>	<u>¥ 112,415</u>	<u>\$ 845,226</u>

### **(2) Secured liabilities**

	Yen(millions)		U.S.dollars (thousands)
	2001	2002	2002
Long-term debt	¥ 31,442	¥ 35,528	\$ 267,128
Current portion of long-term debt	11,172	4,427	33,286
Short-term borrowings	1,328	798	6,000
Guarantee and lease deposits received	4,572	5,316	39,970
Affiliated company's borrowings	1,922	1,803	13,556
	<u>¥ 50,438</u>	<u>¥ 47,874</u>	<u>\$ 359,955</u>

## **9. Guarantee and Lease Deposits Received**

Guarantee and lease deposits received at March 31, 2001 and 2002 are summarised as follows:

	Yen(millions)		U.S.dollars (thousands)
	2001	2002	2002
Guarantee deposits from tenants,non-interest-bearing	¥ 57,028	¥ 55,902	\$ 420,316
Guarantee deposits primarily from members of golf clubs and leisure facilities,non-interest-bearing	78,385	73,693	554,083
Guarantee deposits from others,principally non-interest-bearing	3,753	3,815	28,684
	<u>¥ 139,166</u>	<u>¥ 133,410</u>	<u>\$ 1,003,083</u>

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

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

## **10. Shareholders' Equity**

Effective from October 1,1982, in accordance with the applicable provisions of the Japanese Commercial Code (the Code) an amount not exceeding one-half of the issue price of new shares may be accounted for as capital surplus with the approval of the Board of Directors.

The Code, amended effective on October 1, 2001, provides that an amount equal to at least 10% of cash dividends and of certain other items be appropriated as a legal reserve until an aggregated amount of additional paid-in capital and the legal reserve equals 25% of common stock. The portion of such aggregated amount in excess of 25% of common stock may become available for dividends subsequent to release to retained earnings.

The Company may transfer portions of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Company may also transfer portions of unappropriated retained earnings ,available for dividends, to stated capital by resolution of the shareholders.

Under the Code, the Company may issue new common shares to existing shareholders without consideration as a stock split pursuant to resolution of the Board of Directors.

## **11. Income Taxes**

The Company is subject to a number of taxes based on income which, in the aggregate, result in a normal tax rate of approximately 42 percent for the years ended March 31, 2001 and 2002.

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2001 and 2002 are as follows:

	Yen(millions)		U.S.dollars (thousands)
	2001	2002	2002
Deferred tax assets:			
Write-off of inventories	¥ 10,535	¥ 10,193	\$ 76,639
Additional severance payment to early-retired employees	385	318	2,391
Security valuation loss	1,784	3,985	29,962
Amortization of intangible assets	383	449	3,376
Interest expense for land purchase	29	3	23
Accrued expenses	195	498	3,744
Accrued bonuses to employees	1,401	2,036	15,308
Retirement and severance benefits	2,546	2,967	22,308
Net operating loss carryforwards	7,237	10,751	80,835
Unrealised intercompany profits	692	635	4,774
Other	2,367	2,088	15,699
Gross deferred tax assets	27,559	33,928	255,098
Less:valuation allowance	(14,892)	(13,185)	(99,135)
Total deferred tax assets	12,667	20,743	155,962
Deferred tax liabilities:			
Allowance for doubtful accounts	15	7	52
Unrealized gain on land revaluation	116	116	872
Total deferred tax liabilities	¥ 132	¥ 124	\$ 932

The effective tax rate for the year ended March 31, 2002 differed from the normal tax rate for the following reasons:

	(%) 2001	(%) 2002
Computed normal tax rate	41.8	41.8
Change in valuation allowance allocated to income tax expenses	105.7	32.5
Entertainment expenses not deductible for tax deductible purposes	5.7	2.5
Non-taxable dividend income	(1.2)	(0.6)
Equity in income of non-consolidated subsidiaries and affiliates	(20.9)	(1.9)
Prior year's income tax expenses	2.6	0.8
Resident tax per capita	3.2	1.1
Tax-deductible loss on sale of land not charged to income for financial statement purposes	(114.7)	(44.0)
Other	0.1	(1.8)
Effective tax rate	22.3	30.4

## **12. Employees' Retirement and severance benefits**

The Company has pension plans covering substantially all of employees. Benefits under the plans are primarily based on the combination of years of service and compensation.

The funding policy is to make periodic contributions as required by applicable regulations.

The plan's funded status and amount recognised in the accompanying consolidated balance sheets at March 31, 2002 are as follows:

	Yen (millions)	U.S.dollars (thousands)
Projected benefit obligation	¥ (35,308)	\$ (265,474)
Plan assets	15,055	113,195
Unfunded retirement pension liability	(20,252)	(152,271)
Unrecognized transition cost resulting from changes in accounting standards	7,849	59,015
Unrecognized plan assets	(193)	(1,451)
Unrecognized actuarial loss	2,661	20,008
Unrecognized prior service cost	(95)	(714)
Net retirement benefit recognized on consolidated balance sheets	(10,029)	(75,406)
Retirement allowance	(10,029)	(75,406)
Service cost *	2,218	16,677
Interest cost	949	7,135
Expected return on plan assets	(424)	(3,188)
Amortization of unrecognized prior service cost	(22)	(165)
Actuarial loss	366	2,752
Transition cost resulting from changes in accounting standards	591	4,444
Total Pension Expense	<u>¥ 3,679</u>	<u>\$ 27,662</u>

\* including pension expenses of consolidated companies which applied the simple method

Actuarial assumptions and basis for the calculation of retirement allowance are as follows:

Discount rate	2.5% ~ 3.0%
Estimated return on plan assets	2.5% ~ 3.0%
Retirement benefit attribution method	benefit/year-of-service approach

### **13. Contingent Liabilities**

At March 31, 2002 the Company had the following contingent liabilities:

	Yen (millions)	U.S.dollars (thousands)
Guarantee of loans on behalf of:		
Individual customers for housing loans	¥ 90,580	\$ 681,053
Landowner's union for development cost of land	2,624	19,729
Employees for their purchase of residential houses	1,430	10,752
Non-consolidated subsidiaries and affiliates	73	549
Other	120	902
Endorsed notes	102	767
	<u>¥ 94,929</u>	<u>\$ 713,752</u>

### **14. Supplementary Cash flow Information**

	Yen(millions)		U.S.dollars (thousands)
	2001	2002	2002
Cash paid during the year for:			
Interest	¥ 12,526	¥ 10,984	\$ 82,586
Income taxes	3,468	4,812	36,180

### **15. Financial Instruments**

Derivative financial instruments comprise principally of currency swaps and interest rate swaps to reduce the risk of changes in foreign currency and interest rates. The Company does not hold or issue financial instruments for trading purposes.

The Company is exposed to the risks of credit-related losses in the event of nonperformance by counterparties to currency swaps or interest rate swaps, but it is not expected that any counterparties will fail given their high credit ratings.

The contract amounts of derivative financial instruments are not a measure of the exposure of the risks through its use of derivative financial instruments.

## **16. Information Regarding Certain Leases**

(Items Pertaining to Finance Lease Transactions as lessee)

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

(1) Acquisition cost equivalents, accumulated depreciation equivalents and book value equivalents of leased properties at March 31, 2001 and 2002 if they were capitalized are as follows:

	Yen(millions)		U.S.dollars (thousands)
	2001	2002	2002
Acquisition cost equivalents:			
Tools, furniture and fixtures	¥ 5,353	¥ 4,067	\$ 30,579
Others	910	838	6,301
Total	<u>¥ 6,263</u>	<u>¥ 4,906</u>	<u>\$ 36,887</u>
Accumulated depreciation equivalents:			
Tools, furniture and fixtures	¥ 3,139	¥ 2,721	\$ 20,459
Others	343	384	2,887
Total	<u>¥ 3,482</u>	<u>¥ 3,106</u>	<u>\$ 23,353</u>
Book value equivalents:			
Tools, furniture and fixtures	¥ 2,214	¥ 1,346	\$ 10,120
Others	567	453	3,406
Total	<u>¥ 2,781</u>	<u>¥ 1,800</u>	<u>\$ 13,534</u>

(2) Future lease payments at March 31, 2001 and 2002 are as follows:

	Yen(millions)		U.S.dollars (thousands)
	2001	2002	2002
Due within one year	¥ 1,120	¥ 730	\$ 5,489
Due after one year	1,725	818	6,150
Total	<u>¥ 2,845</u>	<u>¥ 1,548</u>	<u>\$ 11,639</u>

(3) The equivalent amount of lease payments and depreciation expense and interest expenses there of at March 31, 2001 and 2002 are as follows:

	Yen(millions)		U.S.dollars (thousands)
	2001	2002	2002
Lease payments	¥ 1,493	¥ 1,045	\$ 7,857
Depreciation expense	1,436	993	7,466
Interest expenses	62	36	271



(4) Depreciation expense equivalent of leased assets as described above is calculated using the straight-line method, assuming the lease period as the useful life and no residual value. Differences between total lease expenses and the acquisition cost of the leased properties comprise interest expenses, insurance, maintenance and certain other operating costs. Interest expenses are allocated using the interest method over the terms of leases.

(Items Pertaining to Operating Lease Transactions as lessee)

Future lease payments:

	Yen(millions)		U.S.dollars (thousands)
	2001	2002	2002
Due within one year	¥ 3,209	¥ 3,389	\$ 25,481
Due after one year	32,212	30,456	228,992
Total	¥ 35,421	¥ 33,845	\$ 254,474

## **17. Revaluation of Land**

The lands owned for business by the Company and by Izu KankouKaihatsu Co., Ltd., a consolidated subsidiary were revalued pursuant to the Law Concerning Land Revaluation (Law No. 34, promulgated March 31, 1998) and the revised Law Concerning Land Revaluation (Revised Law No. 19, promulgated March 31, 2001).

### **Method of revaluation**

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

Date of revaluation

The Company	March 31,2000
( Revaluation on merger of subsidiaries )	March 31,2001
Izu KankouKaihatsu Co,Ltd	January 31,2001

Difference between the market value at fiscal year end and book value after revaluation:¥ 1,099million

## **18. Related Party Transactions**

Tokyu Corporation holds 15.2 percent of the company's issued shares and some board members are concurrently working for both companies. As a result the Company is an affiliate company of Tokyu Corporation.

Tokyu Construction, which is a consolidated subsidiary of Tokyu Construction constructs some real estate for sale or lease of the Company in the amount of ¥ 20,797 million and ¥ 12,056 million (US\$90,647 thousand) in the year ended March 31, 2001 and 2002, respectively and the amount payable to Tokyu Construction at the fiscal year-ends were ¥ 12,755 million and ¥ 4,905 million (US\$36,880 thousands) at March 31, 2001 and 2002, respectively.

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

## 19. Segment Information

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

Information by geographic areas is omitted as overseas sales of the Company for the years ended March 31, 2001 and 2002 accounted for less than 10 percent of consolidated revenue under generally accepted accounting principles in Japan.

Unallocated operating expenses consist of certain administrative expenses of corporate and finance departments.

Summarized information by business segment for the years ended March 31, 2001 and 2002 is as follows:

		Yen (millions)								
Year ended	31st	Real Estate Sales	Retail sales	Leasing of Real Estate	Property Management	Resorts	Real Estate Agent and Other	Total	Elimination / Headquarters	Consolidated
Revenues:										
	Outside customers	¥ 206,743	¥ 96,633	¥ 67,722	¥ 51,393	¥ 35,188	¥ 31,193	¥ 488,872	¥ -	¥ 488,872
	Intersegment	746	130	2,991	7,743	-	4,988	16,598	(16,598)	-
	Total	207,489	96,763	70,713	59,136	35,188	36,181	505,470	(16,598)	488,872
	Cost and expenses	198,561	94,420	59,208	56,867	34,527	32,809	476,392	(13,036)	463,356
	Operating income	¥ 8,928	¥ 2,343	¥ 11,505	¥ 2,269	¥ 661	¥ 3,372	¥ 29,078	¥ (3,562)	¥ 25,516
	Total assets	¥ 203,522	¥ 46,063	¥ 356,564	¥ 9,896	¥ 160,082	¥ 37,002	¥ 813,129	¥ 77,706	¥ 890,835
	Depreciation expenses	357	683	5,623	258	4,761	462	12,144	560	12,704
	Capital expenditure	¥ 499	¥ 340	¥ 23,432	¥ 230	¥ 1,367	¥ 806	¥ 26,674	¥ 411	¥ 27,085

		Yen (millions)								
Year ended	31st	Real Estate Sales	Retail sales	Leasing of Real Estate	Property Management	Resorts	Real Estate Agent and Other	Total	Elimination / Headquarters	Consolidated
Revenues:										
	Outside customers	¥ 199,644	¥ 99,947	¥ 71,550	¥ 54,221	¥ 34,677	¥ 34,414	¥ 494,453	¥ -	¥ 494,453
	Intersegment	814	217	2,740	7,918	0	4,730	16,419	(16,419)	-
	Total	200,458	100,164	74,290	62,139	34,677	39,144	510,872	(16,419)	494,453
	Cost and expenses	195,196	96,980	60,131	59,603	33,862	35,806	481,578	(12,703)	468,875
	Operating income	¥ 5,262	¥ 3,184	¥ 14,158	¥ 2,537	¥ 815	¥ 3,338	¥ 29,294	¥ (3,716)	¥ 25,578
	Total assets	¥ 200,537	¥ 46,565	¥ 358,121	¥ 10,606	¥ 159,869	¥ 41,545	¥ 817,243	¥ 58,666	¥ 875,909
	Depreciation expenses	375	597	5,846	287	4,529	519	12,153	585	12,738
	Capital expenditure	¥ 793	¥ 591	¥ 7,438	¥ 375	¥ 3,627	¥ 572	¥ 13,396	¥ 1,391	¥ 14,787

U.S.dollars (thousands)										
Year ended	31st	Real Estate	Retail sales	Leasing of	Property	Resorts	Real Estate	Total	Elimination /	Consolidated
March, 2002		Sales		Real Estate	Management		Agent and Other		Headquarters	
Revenues:										
Outside customers		\$1,501,083	\$751,481	\$537,970	\$407,677	\$260,729	\$258,752	\$3,717,692	\$ -	\$3,717,692
Intersegment		6,120	1,632	20,602	59,534	0	35,564	123,451	(123,451)	-
Total		1,507,203	753,113	558,571	467,211	260,729	294,316	3,841,143	(123,451)	3,717,692
Cost and expenses		1,467,639	729,173	452,113	448,143	254,602	269,218	3,620,887	(95,511)	3,525,376
Operating income		\$39,564	\$23,940	\$106,451	\$19,075	\$6,128	\$25,098	\$220,256	\$(27,940)	\$192,316
Total assets		\$1,507,797	\$350,113	\$2,692,639	\$79,744	\$1,202,023	\$312,368	\$6,144,684	\$441,098	\$6,585,782
Depreciation expenses		2,820	4,489	43,955	2,158	34,053	3,902	91,376	4,398	95,774
Capital expenditure		\$5,962	\$4,444	\$55,925	\$2,820	\$27,271	\$4,301	\$100,722	\$10,459	\$111,180

## TOKYU LAND CORPORATION AND CONSOLIDATED SUBSIDIARIES

## Segment Information (Unaudited)

	Yen(millions)					U.S.dollars (thousands)
	1998	1999	2000	2001	2002	2002
Revenue from operations						
Real Estate Sales	¥ 231,388	¥ 258,036	¥ 211,750	¥ 207,489	¥ 200,458	\$ 1,507,203
Tokyu Land Corporation	187,856	207,130	154,511	143,758	137,162	1,031,293
Tokyu Home Corporation	32,330	29,361	27,434	33,063	30,241	227,376
Tokyu Amenix Corporation	17,304	16,849	17,258	18,323	18,838	141,639
Tokyu Community Corporation	-	-	11,706	12,708	12,782	96,105
Ishikatsu Exterior, Inc.	-	8,039	7,186	6,302	5,450	40,977
Eliminations	(9,300)	(6,954)	(6,459)	(6,687)	(4,026)	(30,271)
Retail Sales	¥ 85,914	¥ 89,790	¥ 96,984	¥ 96,763	¥ 100,164	\$ 753,113
Tokyu Hands, Inc.	85,914	89,790	96,984	96,763	100,164	753,113
Leasing of Real Estate	¥ 114,326	¥ 118,229	¥ 65,558	¥ 70,713	¥ 74,290	\$ 558,571
Tokyu Land Corporation	45,904	45,995	46,895	49,748	52,241	392,789
Tokyu Community Corporation	71,916	75,513	10,742	11,632	12,224	91,910
Tokyu Relocation Corporation (consolidated)	-	-	5,494	6,271	7,143	53,707
Tokyu Livable, Inc.	1,722	1,787	2,168	2,532	2,843	21,376
Eliminations	(6,480)	(6,394)	(2,548)	(2,481)	(516)	(3,880)
Property Management	¥ -	¥ -	¥ 56,599	¥ 59,136	¥ 62,139	\$ 467,211
Tokyu Community Corporation	-	-	53,698	55,791	58,465	439,586
Subsidiaries of Tokyu Community Corporation	-	-	9,576	10,660	11,734	88,226
Eliminations	-	-	(6,677)	(7,315)	(8,060)	(60,602)
Resorts	¥ 35,980	¥ 36,541	¥ 36,046	¥ 35,188	¥ 34,677	\$ 260,729
Tokyu Land Corporation	26,504	27,583	28,485	28,055	28,388	213,444
Tokyu Resort Service Corporation	-	-	-	-	7,457	56,068
Tokyu Sports oasis Inc.	-	-	-	-	5,489	41,271
Izu Kankoukaihatu Co., Ltd.	2,339	2,083	2,068	1,843	1,592	11,970
Tanbara Tokyu Resort Co., Ltd.	1,821	1,793	1,801	1,707	1,531	11,511
Pacific Islands Development Corp.	1,598	1,170	950	1,135	1,222	9,188
Niseko kougen kankou Co. Ltd.	2,069	1,889	1,779	1,536	1,387	10,429
Eliminations	-	(131)	(734)	(916)	(14,352)	(107,910)
Real Estate Agent and Other	¥ 42,604	¥ 44,124	¥ 34,458	¥ 36,181	¥ 39,144	\$ 294,316
Tokyu Livable, Inc.	25,533	25,073	27,929	28,788	30,195	227,030
Tokyu Resort Corporation	1,642	2,154	2,292	2,567	2,768	20,812
Tokyu Land Corporation	2,304	1,775	1,547	1,826	2,219	16,684
Eliminations	(895)	(1,511)	(12)	(28)	(401)	(3,015)
Total	510,212	546,720	501,395	505,470	510,872	3,841,143
Eliminations	(16,443)	(20,868)	(16,534)	(16,598)	(16,419)	(123,451)
Revenue from operations (Consolidated)	¥ 493,769	¥ 525,852	¥ 484,861	¥ 488,872	¥ 494,453	\$ 3,717,692
Operating income	¥ 23,446	¥ 17,418	¥ 20,412	¥ 25,516	¥ 25,578	\$ 192,316
Real Estate Sales	16,686	9,473	7,872	8,928	5,262	39,564
Retail Sales	139	(223)	2,322	2,343	3,184	23,940
Leasing of Real Estate	10,854	11,898	8,864	11,505	14,158	106,451
Property Management	-	-	2,150	2,269	2,537	19,075
Resorts	(687)	334	776	661	815	6,128
Real Estate Agent and Other	1,602	2,195	1,827	3,372	3,338	25,098
Elimination / Headquarters	(5,148)	(6,259)	(3,399)	(3,562)	(3,716)	(27,940)
Operating income on Sales	4.7%	3.3%	4.2%	5.2%	5.2%	
Real Estate Sales	7.2%	3.7%	3.7%	4.3%	2.6%	
Retail Sales	0.2%	(0.2%)	2.4%	2.4%	3.2%	
Leasing of Real Estate	9.5%	10.1%	13.5%	16.3%	19.1%	
Property Management	-	-	3.8%	3.8%	4.1%	
Resorts	(1.9%)	0.9%	2.2%	1.9%	2.4%	
Real Estate Agent and Other	3.8%	5.0%	5.3%	9.3%	8.5%	

\* From the year ended March 31, 2000, Property Management segment is separated from Leasing of Real Estate segment.