ANNUAL REPORT 2015

Year Ended March 31, 2015

TOKYU FUDOSAN HOLDINGS

CONTENTS

Message from the President

Anticipating changes in society and steadily moving forward with a medium-to-long-term management plan rooted in the joint creative efforts of the Tokyu Fudosan Holdings Corporation and its consolidated subsidiaries (“the Group”).

[Inaugural Greeting]
My name is Yuji Okuma, and I became the President and CEO of Tokyu Fudosan Holdings Corporation in April 2015.
My mission is to definitively and steadily accelerate growth by fully utilizing the comprehensive strength of the Group, standing on the foundation for growth as a comprehensive real estate group that has been organized following the shift to a holding company structure.
We will generate new value by adapting to changes in the environment with diversity as our advantage while maintaining our challenging DNA and consideration for customers. The Group remains committed to bringing about change with an unswerving conviction, and will continue rising to face the changes of each era.

[Looking back on the second term]
In the fiscal year under review, the Japanese economy showed recovery trends in corporate earnings and employment conditions against a backdrop of the virtuous cycle of the economy, which was largely due to the effect of the government’s policies. Personal spending also remained firm.
In the real estate industry, sales were solid in the built-for-sale housing market due in large part to the narrowing supply of new properties, despite concerns about the impact of the consumption tax rate hike. In the office building market, demand continued to expand, with the vacancy rate falling and rents on an upward trend. In the real estate investment market, the favorable financing environment witnessed a string of property acquisitions by REITs, etc., and a rise in sale prices became evident.
The Group recorded operating revenue of ¥773,149 million (up 8.3% year on year), operating income of ¥63,300 million (up 3.0%), ordinary income of ¥51,675 million (up 2.2%), and net income of ¥25,230 million (up 6.4%).
These results were mainly due to an increase in revenue from the sales of properties, such as buildings for investors, and the contribution of properties that were newly operated in the Urban Development segment.
The Group also established the Medium- and Long-Term Management Plan “Value Frontier 2020: Toward an enterprise group that continues to create value.” in November 2014. This plan sets its sights on fiscal 2020, the year in which the Summer Olympics will be held in Tokyo, and large-scale development projects will be completed, such as the redevelopment project of the area around Shibuya Station. The basic policies of this plan involve adding to the assets we own or handle and creating new demand. Along with these policies, we have begun efforts to ensure the steady growth of the Group’s revenue base and secure additional sources for growth.

[Status of the revised organizational framework]
In April 2015, Tokyu Housing Lease Corporation, which has integrated the Group’s rental residence management operations, began operation. The Group will work to further enhance its services, leveraging the approximately 75,000 units of rental residences it manages and operates and the approximately 95,000 units for which it provides company housing agent services by integrating the rental resident management operations of three Group companies: Tokyu Community Corporation, Tokyu Livable, Inc., and Tokyu Relocation Co., Ltd.
The Group will also draw upon the synergy with other functions, such as urban development and real-estate agents.
In other businesses, the Group will also accelerate growth by maximizing its comprehensive strength by continuously promoting business consolidation and efforts to bring together human resources and systems. In addition, the Group will seek to raise the level of synergy among businesses, including cooperation between the

Property Management and the Real-Estate Agents businesses.

[Forecasts for the third term and future growth]
The Japanese economy is expected to recover moderately, reflecting improvement in corporate earnings and the recovery of employment and income conditions largely attributed to the government's economic policies, although the downturn in economies overseas and the potential risks they pose to the Japanese economy need to be closely monitored.
In this environment, the Group will continue to working to add to the assets it owns or handles, and create new demand through its medium- and Long-Term Management Plan.
In the four core businesses of Urban Development, Residential, Property Management, and Real-Estate Agents, the Group will proceed with the development of prime assets, such as the Shibuya redevelopment project and the Takeshiba project, in addition to the Ginza project which is scheduled to open for business in fiscal 2015. The Group will also promote the acquisition of prime assets in the existing stock market. At the same time, the Group will seek to expand the scale of business by getting involved in the real estate owned by customers through the Property Management and the Real-Estate Agents businesses.
The Group will also promote Wellness, Tokyu Hands, and Overseas operations, three growth business areas, taking full advantage of the Group's unique traits and strengths in new growth areas, such as services for senior citizens, overseas business, and demand for inbound tourism.
In the Wellness segment, the Group aims to establish its presence as a comprehensive wellness business operator by promoting efforts that focus on the increased number of active senior citizens. The Group will also move forward with the development of new types of operations, open stores overseas in the Tokyu Hands segment, and work to secure stable revenue in overseas operations, predominantly in Indonesia and North America.
While the Group anticipates a reaction to the posting of revenue from the sales of properties, such as buildings for investors in the Urban Development segment in the fiscal year ended March 31, 2015, it forecasts increases in sales and profits mainly from an increase in operating revenue in the Overseas operation, for the fiscal year ending March 31, 2016. It aims to achieve targets in consolidated operating revenue of ¥780.0 billion (up 0.9% year on year), operating income of ¥65.0 billion (up 2.7%), ordinary income of ¥52.0 billion (up 0.6%), and net income of ¥26.5 billion (up 5.0%).

[To Shareholders]
The Group will further enhance its corporate value by increasing the return on equity (ROE) in the medium and long term through the full-scale operation of large-scale projects, and by promoting fee businesses such as Property Management and Real-Estate Agents.
In addition, the Group will pursue efforts to address social challenges, such as building an affluent aging society and revitalizing local communities through business activities based on the recognition that promoting corporate social responsibility (CSR) is the basis for corporate growth in addition to the business strategies.
At the same time, the Group will improve the level of the transparency and fairness of management, and strengthen its corporate governance so that it can make prompt and resolute decisions, placing an emphasis on practicing and fully enforcing compliance.
In regards to measures for returning profits to shareholders, the Group will actively work to build long-term relationships with shareholders and investors, for instance by providing a special benefit plan to shareholders who have held Group' shares for a long time, and set a dividend payout ratio target of at least 25%.
I humbly ask for your continued support and cooperation in the years to come.

June 2015

Yuji Okuma,
President & Representative Director

BUSINESS REPORT
Years ended March 31, 2015

I. Outline of business

1. Financial Highlights

(1) Summary of consolidated statements of income

	Yen (millions)	Yen (millions)	U.S. dollars (thousands)
	2014	2015	2015
Operating revenue	¥ 714,067	¥ 773,149	$ 6,442,908
Ordinary income	50,583	51,675	430,625
Net income (loss)	23,712	25,230	210,250
Comprehensive income	24,894	37,420	311,833
Net assets	369,242	398,282	3,319,017
Assets	¥ 1,789,822	¥ 1,973,801	$ 16,448,342

(2) Trend of indices

	2014	2015
Equity ratio	20.4%	20.0%
Net income/shareholder's equity	7.5%	6.6%
Price earning ratio (times)	18.5	19.8

(3) Others

	Yen	Yen	U.S. dollars
	2014	2015	2015
Net assets per share	¥ 598.73	¥ 649.40	$ 5.41
Net income per share	¥ 41.61	¥ 41.45	$ 0.35
Employees	17,594	18,243	
Temporary employees	8,939	9,309	

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

(4) Summary of cash flows

	Yen (millions)	Yen (millions)	U.S. dollars (thousands)
	2014	2015	2015
CF from operating activities	¥ (13,504)	¥ (38,488)	(320,733)
CF from investing activities	19,745	(100,263)	(835,525)
CF from financing activities	3,008	139,186	1,159,883
Cash and cash equivalents at the end of the year	¥ 92,723	¥ 93,949	782,908

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

2. Major Business

(1) Urban Development

Development, leasing, and operation of office buildings, retail facilities, rental residences and other properties (*)

Sales of properties for investors

(*) The operations include management of J-REITs, private REIT and private funds,

(2) Residential

Development and sales of condominiums and detached housing

(3) Property Management

Property management of condominiums, buildings and retail facilities

Construction of common areas of condominiums

(4) Real-Estate Agents

Real estate brokerage and property sales

(5) Wellness

Development and sales of membership resort hotels and country houses

Ownership and management of resort facilities, senior housing and membership sports clubs

(6) Tokyu Hands

Retail merchandising of materials and products related to living life and DIY

(7) Business Innovation and Others

Development, sales, and leasing of condominiums and other properties in overseas

Construction of residential homes and others

3. Business policy

Basic Policy

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

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

Mid-Term Management Strategies

Basic principle of corporate management

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

In November 2014, the Group formulated the medium- and long-term management plan "Value Frontier 2020: Toward an enterprise group that continues to create value" (fiscal year 2014 – fiscal year 2020) in light of making the switch to a holding company structure (October 2013) and achieving the targets of the previous medium-term management plan.

In the medium- and long-term management plan, the Group aims to be a corporate group that continues to create value by adding to the assets we own or handle and creating new demand from the customer's perspective during the period lasting until fiscal 2020, the year in which the Summer Olympics will be held in Tokyo, and large-scale development projects will be completed, such as the redevelopment project of the area around Shibuya Station, which will be undertaken gathering all of our strength.

The Group will promote the stable growth of the revenue base by expanding and creating business opportunities. To do this, we will add to the assets we own or handle by working to develop prime assets, such as the redevelopment project in Shibuya and the Ginza 5-chome Project (tentative name) and work to acquire or become involved in external assets from existing stock-related markets that are expanding, focusing primarily on the four core businesses of Urban Development, Residential, Real-Estate Agents, and Property Management. In addition, the Group will acquire sources for further growth by creating new demand through the evolution of its business model, maximizing its strengths in Wellness, Tokyu Hands and Overseas operations.

In regards to financial indicators*, the Group has set targets for achieving an operating income of ¥73.0 billion and DE ratio of 2.6 by fiscal year 2016, the final year of the medium-term management plan, and operating income of ¥100.0 billion by fiscal year 2020, the year in which projects such as the redevelopment project in Shibuya will be completed. The Group will also seek to reinforce its financial soundness by improving the DE ratio to the low 2 level, while at the same time striving to boost income.

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

Basic Policies Regarding Distribution of Profits and Dividends

The Company regards the return of profits to shareholders to be one of its most important policies. Our basic policy is to determine the distribution of profits targeting a payout ratio of 25% or more, comprehensively taking into consideration our business results and the future business environment as well as the capital requirements for medium- and long-term business development, etc., while maintaining a stable dividend policy under the medium- and long-term management plan "Value Frontier 2020.”

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

In regards to dividends in the fiscal year under review, we have decided to pay dividends of ¥10.0 per share (including interim dividends of ¥5.0) based on the policy above.

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

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

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

Date of decision:	Total amount of dividend (million yen)	Dividend per share (yen)
Resolution of the board of directors meeting on November 7, 2014	3,043	5.0
Resolution of the general shareholders meeting on June 25, 2015	3,043	5.0

Business-related and other risks

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

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

1) Risks caused by changes in the management environment

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

2) Risks caused by interest rate fluctuations

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

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

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

4) Risks associated with information systems

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

5) Risks caused by stock price fluctuations

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

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

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

4. Operating Results and Financial Position

(1) Current Operating Performance

Results for this fiscal year ended March 31, 2015 showed ¥773.1 billion in operating revenue (up 8.3% from the previous fiscal year), ¥63.3 billion in operating income (up 3.0%), ¥51.7 billion in ordinary income (up 2.2%) and ¥25.2 billion in net income (up 6.4%).

Both revenues and profit increased mainly due to an increase in revenues from sales of properties including buildings for investors and the start of new facilities operations in the Urban Development segment. Net income increased mainly due to an improvement in minority interests in income (loss) following the shift to a holding company system.

Following the shift to a holding company system, the Group reorganized its structure and reportable segments effective from this fiscal year ended March 31, 2015. In the business results for the full-year period of the previous fiscal year in the below explanation of each segment, the existing figures have been reclassified in accordance with the new segment structure.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	714.1	773.1	59.1
Operating income	61.4	63.3	1.9
Ordinary income	50.6	51.7	1.1
Net income	23.7	25.2	1.5

Interest-bearing debt	991.0	1,125.4	134.4

(2) Segment Performance

Operating revenue

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Total	714.1	773.1	59.1
Urban Development	178.3	261.0	82.8
Residential	141.8	104.8	(36.9)
Property Management	139.4	136.1	(3.3)
Real-Estate Agents	58.4	61.4	3.0
Wellness	73.9	75.1	1.2
Tokyu Hands	84.5	87.9	3.4
Business Innovation and Others	59.4	68.3	8.9
Adjustment for Inter-Company Transactions	(21.5)	(21.5)	0.1

Operating income (Unit: ¥ billion)

	Previous year	Current year	Comparison
Total	61.4	63.3	1.9
Urban Development	32.3	38.5	6.2
Residential	11.3	5.5	(5.8)
Property Management	9.2	9.1	(0.1)
Real-Estate Agents	9.2	9.4	0.2
Wellness	1.9	4.4	2.6
Tokyu Hands	1.1	0.9	(0.2)
Business Innovation and Others	(1.2)	1.2	2.4
Adjustment for Inter-Company Transactions	(2.3)	(5.7)	(3.4)

① Urban Development

In our Urban Development business, we recorded ¥261.0 billion in operating revenue (up 46.4% from the previous fiscal year) and ¥38.5 billion in operating income (up 19.3%).

Both revenues and profit increased mainly due to an increase in revenues from sales of properties including buildings for investors and a contribution from the start of new facilities operations.

In this fiscal year, six in-operation facilities were acquired, including "Shiodome Building" (Minato-ku, Tokyo, office building and commercial facility) in April, "Northport Mall" (Yokohama-shi, Kanagawa, commercial facility) in September and "Shinjuku i-Land" (Shinjuku-ku, Tokyo, office building) in October; and the operations of three newly developed facilities started including "Shin-Aoyama Tokyu Building" (Minato-ku, Tokyo, office building) in February, and "Q Plaza Harajuku" (Shibuya-ku, Tokyo, commercial facility) in March.

In addition, the vacancy rate (office buildings and commercial facilities) remained at a low level of 2.8%.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	178.3	261.0	82.8
Operating income	32.3	38.5	6.2

Breakdown of operating revenue (Unit:¥ billion)

	FY2013	FY2014	Comparison
Leasing (Office buildings)	35.1	38.9	3.8
Leasing (Commercial facilities)	38.3	36.6	(1.7)
Sale of properties for investors /asset management etc.	53.6	129.7	76.1
Leasing (Residence) etc.	51.3	55.8	4.6

Leasing floor space and vacancy rate of office buildings and commercial facilities

	As of March 31, 2012	As of March 31, 2013	As of March 31, 2014	As of March 31, 2015
Leasing floor space (m²)	1,072,228	994,773	1,026,453	981,636
Vacancy rate	2.0%	2.1%	1.8%	2.8%

Major new openings

	Use	Open	Floor space (thousand m²)
Shiodome Building	Office and commercial	April 2014 (Acquisition)	119
Nikko Shibuya Nanpeidai Building	Office	April 2014 (Acquisition)	7
Market Square Sagamihara	Commercial	July 2014	15
Northport Mall	Commercial	September 2014 (Acquisition)	141
Kichijoji Place	Commercial	September 2014 (Acquisition)	9
Shinjuku i-Land	Office	October 2014 (Acquisition)	213
Daini Musashino Building	Commercial	November 2014 (Acquisition)	6
Shin Aoyama Tokyu Building	Office	February 2015	9
Q Plaza Harajuku	Commercial	March 2015	8

② Residential

In our Residential business, we recorded ¥104.8 billion in operating revenue (down 26.0% from the previous fiscal year) and ¥5.5 billion in operating income (down 51.0%).

Revenues and profit decreased due mainly to a decrease in the number of condominium units sold and a fall in the average price per unit in line with a decrease in properties in city centers. Profit was less than forecast mainly due to the recording of loss on valuation of inventories of ¥1.3 billion.

Meanwhile, sales of condominium units in “ATLAS BRANZ TOWER Mikawashima” (Arakawa-ku, Tokyo), “SKYZ TOWER & GARDEN” (Koto-ku, Tokyo), “BRANZ Takarazuka Umeno-cho”(Takarazuka-shi, Hyogo) and others were recorded. Sales continued to perform firmly and the inventory of completed units remained at a low level. The ratio of contracted amount for sale to the planned sales amount for the next fiscal year for condominium became 34%.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	141.8	104.8	(36.9)
Operating income	11.3	5.5	(5.8)

Breakdown of operating revenue (Before adjustments in ¥ billion)

	FY2013		FY2014		Comparison
Condominiums	2,528 units	133.3	2,027 units	89.7	(43.6)
Detached housing	272 units	7.6	142 units	5.5	(2.1)
Others	–	0.9	–	9.6	8.7

Number of units supplied and sold (Units)

	FY2013		FY2014		Inventory of completed units	
	New supply	Contracted units	New supply	Contracted units	As of March 31, 2014	As of March 31, 2015
Condominiums	2,489	2,540	2,061	1,919	260	303
Detached housing	170	171	140	137	46	45

③ Property Management

In our Property Management business, we recorded ¥136.1 billion in operating revenue (down 2.4% from the previous fiscal year), and ¥9.1 billion in operating income (down 1.1%).

Despite an increase in revenues due mainly to expansion in the stock of property management service sites at Tokyu Community Corp., overall revenues and profit decreased reflecting such factors as a decrease in the number of constructions of common areas of condominiums. The stock of condominium management service sites was 678 thousand units (of which the number of units under comprehensive management was 487 thousand units) as of March 31, 2015, due mainly to an increase in contracts as a designated manager of public housing.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	139.4	136.1	(3.3)
Operating income	9.2	9.1	(0.1)

Breakdown of operating revenue (Unit:¥ billion)

	FY2013	FY2014	Comparison
Property management	93.2	95.8	2.6
Constructions of common areas of condominiums etc.	41.4	35.7	(5.7)
Others	4.8	4.5	(0.3)

Number of sites managed as of fiscal year end

	As of March 31, 2013	As of March 31, 2014	As of March 31, 2015
Condominiums (units)	617,687	641,591	678,479
Buildings (no. of contracts)	1,330	1,305	1,360

④ Real-Estate Agents

In our Real-Estate Agents business, we recorded ¥61.4 billion in operating revenue (up 5.1% from the previous fiscal year) and ¥9.4 billion in operating income (up 2.5%).

In operations by Tokyu Livable Inc., there was a decrease in revenues due mainly to a decline in the number of deliveries of condominiums in consignment sales business. Nevertheless, both the number of transactions and contract prices rose in retail sales and also in wholesale sales, contract prices rose due to an increase in the number of large contracts despite a decrease in the number of transactions, which lead to an increase in revenues and profit.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	58.4	61.4	3.0
Operating income	9.2	9.4	0.2

Breakdown of operating revenue (Unit:¥ billion)

	FY2013	FY2014	Comparison
Real-estate sales agent	40.1	41.5	1.4
Consignment sales	5.8	3.9	(1.9)
Real-estate sales	10.2	13.5	3.4
Other	2.4	2.5	0.1

⑤ Wellness

In our Wellness business, we recorded ¥75.1 billion in operating revenue (up 1.6% from the previous fiscal year) and ¥4.4 billion in operating income (up 137.3%).

Although there was a decrease in revenues from sales of country houses and membership due to the absence of sales from the Tokyu Harvest Club facilities, “Atami Izusan” and “VIALA annex Atami Izusan” (Atami-shi, Shizuoka) recorded in the previous fiscal year, revenues increased mainly due to the start of new facilities operations of the Harvest Club facilities and Fitness club OASIS. Profit also increased due partially to the absence of loss on valuation of inventories related to country houses, etc. recorded in the previous fiscal year.

Tokyu Harvest Club “Kyoto Takagamine” and “VIALA annex Kyoto Takagamine” (Kyoto-shi, Kyoto) were opened in October 2014.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	73.9	75.1	1.2
Operating income	1.9	4.4	2.6

Breakdown of operating revenue

*The figures in brackets indicate the number of facilities at end of period.

(Unit:¥ billion)

	FY2013		FY2014		Comparison	
Golf course	8.4	[20]	8.6	[20]	0.2	
Harvest Club	13.5	[26]	14.7	[27]	1.2	(Membership resort hotel)
Oasis	15.0	[33]	15.8	[34]	0.8	(Fitness club, etc.)
Ski resort	10.5	[8]	11.1	[8]	0.6	
Senior housing	6.3	[11]	6.4	[11]	0.1	
Sales of country houses and membership	10.0		8.3		(1.7)	
Other	10.3		10.3		(0.0)	

⑥ Tokyu Hands

In our Tokyu Hands business, we recorded ¥87.9 billion in operating revenue (up 4.1% from the previous fiscal year) and ¥0.9 billion in operating income (down 18.6%).

Although revenues increased at Tokyu Hands, Inc. thanks mainly to the opening of new stores, profit decreased due to such factors as the increase of new store opening costs.

The new stores that opened were “Tokyu Hands Kyoto” in June 2014, and the second overseas store “Tokyu Hands Jurong East” (Singapore) and “Tokyu Hands Kagoshima” in September. Other stores that opened were “Tokyu Hands Orchard” (Singapore) and “Tokyu Hands Nagano” in November, and “Tokyu Hands Okayama” in December. These store openings are part of our efforts to achieve steady business expansion.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	84.5	87.9	3.4
Operating income	1.1	0.9	(0.2)

⑦ Business Innovation and Others

In our Business Innovation and Others businesses, we recorded ¥68.3 billion in operating revenue (up 14.9% from the same period of the previous fiscal year) and ¥1.2 billion in operating income.

Revenues and profit increased due mainly to increased bulk sales of real estate, despite a decrease in revenues mainly reflecting a decrease in the number of custom-built houses delivered.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	59.4	68.3	8.9
Operating income	(1.2)	1.2	2.4

Breakdown of operating revenue (Unit:¥ billion)

	FY2013	FY2014	Comparison
Renovation / custom-built houses	42.6	36.0	(6.6)
Landscape gardening	9.0	10.1	1.0
Consignment welfare	6.7	7.5	0.8
Business innovation / overseas development/ trading of properties etc.	1.2	14.8	13.6

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

	FY2013	FY2014	Comparison
Custom-built houses	18.3	14.5	(3.7)
Renovation	22.7	25.5	2.9
Landscape gardening	7.3	8.7	1.4

(3) Analysis of Financial Conditions

① Assets, Liabilities, and Net Assets

Total assets increased by ¥184.0 billion compared to the end of the previous fiscal year mainly due to an increase in real estate for sale, which seeks to accelerate cyclical reinvestments, reflecting the investment policy under the medium- and long-term management plan. Total liabilities also increased by ¥154.9 billion due mainly to an increase in interest-bearing debt, compared to the end of the previous fiscal year.

The interest-bearing debt is expected to be ¥1,200.0 billion and DE ratio 2.9 times as of the end of the fiscal year ending March 31, 2016.

(Unit: ¥ billion)

	As of March 31, 2013	As of March 31, 2014	As of March 31, 2015
Total assets	1,718.4	1,789.8	1,973.8
Total liabilities	1,411.4	1,420.6	1,575.5
Net assets	307.0	369.2	398.3
Equity	268.7	364.5	395.3
Equity ratio	15.6%	20.4%	20.0%
Interest-bearing debt	974.1	991.0	1,125.4
EBITDA multiple	13.5×	11.7×	12.8×
DE ratio	3.6×	2.7×	2.8×
ROA	3.0%	3.5%	3.4%
ROE	8.7%	7.5%	6.6%

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

② Cash flow position

As of the end of fiscal 2014, cash and cash equivalents were ¥93.9 billion, representing a ¥1.2 billion increase from the previous fiscal year end.

Cash flows from operating activities

Net cash used in operating activities was ¥38.5 billion mainly due to an increase of ¥108.5 billion in inventories, ¥17.7 billion in income taxes paid, and a decrease of ¥10.5 billion in accounts payable - trade, notwithstanding ¥40.0 billion in income before income taxes and minority interests, ¥20.2 billion in depreciation, and an increase of ¥17.7 billion in deposits received for special joint ventures, among others.

Cash flows from investing activities

Net cash used in investing activities was ¥100.3 billion mainly due to ¥99.4 billion in purchase from sales of non-current assets and ¥14.8 billion for purchase of securities, notwithstanding ¥17.4 billion for proceeds from sales of non-current assets, among others.

Cash flows from financing activities

Net cash provided by financing activities was ¥139.2 billion thanks mainly to ¥210.7 billion in proceeds from long-term loans payable, an increase of ¥73.0 billion in commercial papers, ¥28.3 billion in proceeds from long-term lease and guarantee deposited, and ¥20.0 billion in proceeds from issuance of bonds, notwithstanding ¥127.9 billion in repayments of long-term loans payable, ¥36.2 billion in decrease in short-term loans payable, and ¥19.0 billion in repayments of long-term lease and guarantee deposited, among others.

Trend of indices

	As of March 31, 2013	As of March 31, 2014	As of March 31, 2015
Equity ratio	15.6%	20.4%	20.0%
Equity ratio on market value basis	25.8%	26.3%	25.0%
Ratio of interest-bearing debt to cash flows	13.9 years	–	–
Interest coverage ratio	6.1	–	–

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

Notes:

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

5. Employees

(As of March 31, 2015)

Segment of business	Number of employees	Number of temporary employees
Urban Development	1,736	118
Residential	189	102
Property Management	6,595	5,941
Real-Estate Agents	2,457	-
Wellness	2,744	1,702
Tokyu Hands	2,719	888
Business Innovation and Others	707	521
Whole Company (Common)	1,096	39
Total	18,243	9,309

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

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

6. Purchase of Property and Equipment

The Company made a capital investment of ¥102,198 million in the consolidated fiscal year, mainly in the new construction, acquisition and renovation works of buildings in the Urban Development segment.
(Figures include the amounts of property and equipment, intangible fixed assets, and long-term prepaid expenses, but do not include consumption tax.)

Segment	Capital investment (Unit: ¥ million)	Composition
Urban Development	83,794	81.99%
Residential	613	0.60%
Property Management	1,764	1.73%
Real-Estate Agents	1,619	1.59%
Wellness	7,297	7.14%
Tokyu Hands	3,535	3.46%
Business Innovation and Others	2,990	2.93%
Subtotal	101,616	99.43%
Adjustment or Whole Company	581	0.57%
Total	102,198	100.00%

II. Outline of the Company

1. Distribution of Common Stock of the Company

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

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

(3) Number of shareholders: 64,156

(4) Principal shareholders:

Name of Shareholder	Investment by each principal shareholder in the Company	
	Number of shares held	Percent of total shares issued
	(thousand shares)	(%)
Tokyu Corporation	96,879	15.91
The Master Trust Bank of Japan Ltd. (Trust Account)	36,142	5.94
Japan Trustee Services Bank Ltd. (Trust Account)	31,287	5.14
Sumitomo Mitsui Trust Bank, Limited.	21,008	3.45
The Dai-ichi Life Insurance Company, Limited	14,918	2.45
Nippon Life Insurance Co.	8,107	1.33
State Street Bank and Trust Company	7,910	1.30
Japan Trustee Services Bank Ltd. (Trust Account 4)	7,047	1.16
Juniper	6,331	1.04
State Street Bank West Client Treaty	6,312	1.04

Notes: Percentages of total shares issued are calculated by deducting treasury stock of 32,059,420 shares.

2. Information on Major Subsidiaries

(As of March 31, 2015)

Name	Paid-in capital	Percentage of shares owned by the Company	Principal business
	(million yen)	(%)	
Tokyu Land Corp.	57,551	100.0	Development, sales and leasing of real estate
Tokyu Community Corp.	1,653	100.0	Management of buildings and condominium apartments
Tokyu Livable, Inc.	1,396	100.0	Intermediary and sales agency for land and buildings
Tokyu Hands Inc.	400	100.0	Retail Sales of D-I-Y goods
Tokyu Housing Lease Corporation	100	100.0	Operation and subleasing of rental residence, etc.

3. Principal lenders

(As of March 31, 2015)

Lender	Amount of borrowing
	(million yen)
Sumitomo Mitsui Trust Bank, Limited.	198,581
Mitsubishi UFJ Trust and Banking Corporation	190,936
Mizuho Corporate Bank Ltd.	142,498
The Bank of Tokyo-Mitsubishi UFJ Ltd	75,892

4. Directors and Statutory Auditors

Position and Name

Chairman	Kiyoshi Kanazashi *
President and Director	Yuji Okuma *
Directors	Ushio Okamoto
	Shinji Sakaki
	Hitoshi Uemura
	Toshihiko Kitagawa
	Masatake Ueki
	Yoshihiro Nakajima
	Hirofumi Nomoto
	Kouichi Iki
Statutory Auditors	Ken Sumida
	Kazuto Nakajima
	Tomoyasu Asano
	Toshio Imamura

(As of June 26, 2015)

Note: Directors marked with * are Representative Directors.

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Independent Auditor's Report

The Board of Directors
Tokyu Fudosan Holdings Corporation

We have audited the accompanying consolidated financial statements of Tokyu Fudosan Holdings Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tokyu Fudosan Holdings Corporation and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 25, 2015
Tokyo, Japan

Consolidated Balance Sheet

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions) As of March 31, 2014	Yen (millions) As of March 31, 2015	U.S. dollars (thousands) (Note 2) As of March 31, 2015
Assets			
Current assets			
Cash and deposits (Note 8)	¥ 93,070	¥ 94,275	$ 785,625
Notes and accounts receivable - trade	24,712	25,462	212,183
Securities (Note 4)	653	1,735	14,458
Merchandise	8,736	10,254	85,450
Real estate for sale (Note 8,11)	122,899	246,761	2,056,342
Real estate for sale in process	116,974	142,087	1,184,058
Costs on uncompleted construction contracts	5,988	5,823	48,525
Supplies	749	723	6,025
Deferred tax assets (Note 21)	7,532	7,011	58,425
Other	34,902	38,692	322,433
Allowance for doubtful accounts	(194)	(191)	(1,592)
Total current assets	416,024	572,635	4,771,958
Non-current assets			
Property, plant and equipment			
Buildings and structures	387,258	370,560	3,088,000
Accumulated depreciation	(161,378)	(153,178)	(1,276,483)
Buildings and structures, net (Note 8)	225,880	217,381	1,811,508
Land (Note 7,8)	858,604	866,836	7,223,633
Construction in progress	19,644	26,055	217,125
Other	49,060	51,277	427,308
Accumulated depreciation	(33,046)	(34,305)	(285,875)
Other, net	16,014	16,972	141,433
Total property, plant and equipment (Note 11)	1,120,143	1,127,244	9,393,700
Intangible assets			
Leasehold right (Note 8)	19,697	18,687	155,725
Goodwill	82,866	79,930	666,083
Other	12,410	14,281	119,008
Total intangible assets	114,974	112,898	940,817
Investments and other assets			
Investment securities (Note 5,8)	56,691	80,202	668,350
Long-term loans receivable (Note 8)	3,554	1,288	10,733
Lease and guarantee deposits	58,099	62,208	518,400
Retirement benefit asset (Note 20)	608	377	3,142
Deferred tax assets (Note 21)	11,164	7,919	65,992
Other	9,777	10,031	83,592
Allowance for doubtful accounts	(1,216)	(1,006)	(8,383)
Total investments and other assets	138,680	161,021	1,341,842
Total non-current assets	1,373,797	1,401,165	11,676,375
Total assets	¥ 1,789,822	¥ 1,973,801	$ 16,448,342

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions) As of March 31, 2014	Yen (millions) As of March 31, 2015	U.S. dollars (thousands) (Note 2) As of March 31, 2015
Liabilities			
Current liabilities			
Notes and accounts payable - trade	¥ 62,135	¥ 51,641	$ 430,342
Short-term loans payable (Note 8,9)	180,579	203,717	1,697,642
Commercial papers	–	73,000	608,333
Current portion of bonds	200	10,000	83,333
Accounts payable - other	21,747	26,846	223,717
Income taxes payable	9,801	10,382	86,517
Deferred tax liabilities (Note 21)	1,329	1,728	14,400
Advances received	26,572	26,260	218,833
Deposits received from consignment sales	10,881	10,009	83,408
Deposits received	20,555	20,953	174,608
Deposits received for special joint ventures	5,300	11,500	95,833
Provision for bonuses	8,722	8,280	69,000
Provision for directors' bonuses	188	193	1,608
Provision for warranties for completed construction	408	421	3,508
Other provision	731	713	5,942
Other	12,696	15,268	127,233
Total current liabilities	361,850	470,918	3,924,317
Non-current liabilities			
Bonds payable (Note 9)	70,000	80,000	666,667
Long-term loans payable (Note 8,9)	740,235	758,661	6,322,175
Deferred tax liabilities (Note 21)	32,490	30,164	251,367
Deferred tax liabilities for land revaluation (Note 7,21)	9,777	7,289	60,742
Long-term lease and guarantee deposited	167,971	176,248	1,468,733
Deposits received for special joint ventures	–	11,500	95,833
Retirement benefit liability (Note 20)	25,722	26,751	222,925
Provision for loss on guarantees	239	181	1,508
Provision for directors' retirement benefits	38	49	408
Other provision	190	198	1,650
Other (Note 8)	12,060	13,555	112,958
Total non-current liabilities	1,058,728	1,104,600	9,205,000
Total liabilities	¥ 1,420,579	¥ 1,575,518	$ 13,129,317
Net assets			
Shareholders' equity (Note 25)			
Capital stock	60,000	60,000	500,000
Capital surplus	118,639	118,638	988,650
Retained earnings	173,275	195,774	1,631,450
Treasury shares	(1,781)	(1,785)	(14,875)
Total shareholders' equity	350,134	372,628	3,105,233
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities (Note 21)	7,340	15,143	126,192
Deferred gains or losses on hedges (Note 21)	(21)	(73)	(608)
Revaluation reserve for land (Note 7,21)	11,701	9,222	76,850
Foreign currency translation adjustment	(1,590)	1,466	12,217
Remeasurements of defined benefis (Note 20,21)	(3,072)	(3,052)	(25,433)
Total accumulated other comprehensive income	14,357	22,705	189,208
Minority interests	4,751	2,948	24,567
Total net assets	369,242	398,282	3,319,017
Total liabilities and net assets	¥ 1,789,822	¥ 1,973,801	$ 16,448,342

See accompanying notes to the consolidated financial statements.

Consolidated Statement of (Comprehensive) Income

(Consolidated Statement of Income)

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions) FY2013 (From April 1, 2013 to March 31, 2014)	Yen (millions) FY2014 (From April 1, 2014 to March 31, 2015)	U.S. dollars (thousands) (Note 2) FY2014 (From April 1, 2014 to March 31, 2015)
Operating revenue	¥ 714,067	¥ 773,149	$ 6,442,908
Operating cost (Note 12)	568,769	624,337	5,202,808
Operating gross profit	145,297	148,812	1,240,100
Selling, general and administrative expenses	83,864	85,511	712,592
Operating income	61,433	63,300	527,500
Non-operating income			
Interest income	124	144	1,200
Dividend income	203	329	2,742
Foreign exchange gains	178	–	–
Share of profit of entities accounted for using equity method	143	–	–
Other	688	632	5,267
Total non-operating income	1,338	1,106	9,217
Non-operating expenses			
Interest expenses	10,203	9,962	83,017
Other	1,984	2,769	23,075
Total non-operating expenses	12,188	12,731	106,092
Ordinary income	50,583	51,675	430,625
Extraordinary income			
Gain on sales of non-current assets	99	1,211	10,092
Gain on sales of investment securities	41	–	–
Other	38	0	0
Total extraordinary income	179	1,211	10,092
Extraordinary losses			
Impairment loss (Note 13)	6,767	7,974	66,450
Loss on building reconstruction	–	2,039	16,992
Loss on sales of investments in silent partnership of subsidiaries and associates	–	1,585	13,208
Other	253	1,324	11,033
Total extraordinary losses	7,021	12,924	107,700
Income before income taxes and minority interests	43,741	39,963	333,025
Income taxes - current	17,585	17,651	147,092
Income taxes - deferred (Note 21)	(456)	(3,519)	(29,325)
Total income taxes (Note 21)	17,128	14,132	117,767
Income before minority interests	26,612	25,830	215,250
Minority interests in income	2,900	599	4,992
Net income	¥ 23,712	¥ 25,230	$ 210,250

See accompanying notes to the consolidated financial statements.

(Consolidated Statement of Comprehensive Income)

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions) FY2013 (From April 1, 2013 to March 31, 2014)	Yen (millions) FY2014 (From April 1, 2014 to March 31, 2015)	U.S. dollars (thousands) (Note 2) FY2014 (From April 1, 2014 to March 31, 2015)
Income before minority interests	¥ 26,612	¥ 25,830	$ 215,250
Other comprehensive income			
Valuation difference on available-for-sale securities (Note 14)	(1,717)	7,803	65,025
Deferred gains or losses on hedges (Note 14)	4	(52)	(433)
Revaluation reserve for land (Note 14)	–	717	5,975
Foreign currency translation adjustment (Note 14)	(286)	2,356	19,633
Remeasurements of defined benefits (Note 14)	–	19	158
Share of other comprehensive income of entities accounted for using equity method (Note 14)	281	745	6,208
Total other comprehensive income (Note 14)	(1,718)	11,590	96,583
Comprehensive income	24,894	37,420	311,833
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	21,978	36,776	306,467
Comprehensive income attributable to minority interests	¥ 2,915	¥ 644	$ 5,367

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

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

Yen (millions)

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

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

FY2014 (from April 1, 2014 to March 31, 2015)

Tokyu Fudosan Holdings Corporation

Yen (millions)

Account title	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	60,000	118,639	173,275	(1,781)	350,134
Cumulative effect of change in accounting policy			(145)		(145)
Restated balance	60,000	118,639	173,130	(1,781)	349,989
Changes of items during period					
Dividends of surplus			(5,783)		(5,783)
Net income			25,230		25,230
Purchase of treasury shares				(6)	(6)
Disposal of treasury shares		(0)		2	1
Retirement of treasury shares					–
Reversal of revaluation reserve for land			3,196		3,196
Increase by share transfers					–
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	(0)	22,644	(4)	22,638
Balance at end of current period	60,000	118,638	195,774	(1,785)	372,628

Account title	Accumulated other comprehensive income						Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefits	Total accumulated other comprehensive income		
Balance at beginning of current period	7,340	(21)	11,701	(1,590)	(3,072)	14,357	4,751	369,242
Cumulative effect of change in accounting policy								(145)
Restated balance	7,340	(21)	11,701	(1,590)	(3,072)	14,357	4,751	369,097
Changes of items during period								
Dividends of surplus								(5,783)
Net income								25,230
Purchase of treasury shares								(6)
Disposal of treasury shares								1
Retirement of treasury shares								–
Reversal of revaluation reserve for land								3,196
Increase by share transfers								–
Net changes of items other than shareholders' equity	7,803	(52)	(2,479)	3,057	19	8,348	(1,802)	6,545
Total changes of items during period	7,803	(52)	(2,479)	3,057	19	8,348	(1,802)	29,184
Balance at end of current period	15,143	(73)	9,222	1,466	(3,052)	22,705	2,948	398,282

Consolidated Statement of Changes in Equity

FY2014 (from April 1, 2014 to March 31, 2015)
Tokyu Fudosan Holdings Corporation

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

Account title	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	500,000	988,658	1,443,958	(14,842)	2,917,783
Cumulative effect of change in accounting policy			(1,208)		(1,208)
Restated balance	500,000	988,658	1,442,750	(14,842)	2,916,575
Changes of items during period					
Dividends of surplus			(48,192)		(48,192)
Net income			210,250		210,250
Purchase of treasury shares				(50)	(50)
Disposal of treasury shares		(0)		17	8
Retirement of treasury shares					–
Reversal of revaluation reserve for land			26,633		26,633
Increase by share transfers					–
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	(0)	188,700	(33)	188,650
Balance at end of current period	500,000	988,650	1,631,450	(14,875)	3,105,233

Account title	Accumulated other comprehensive income						Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of retirement benefits	Total accumulated other comprehensive income		
Balance at beginning of current period	61,167	(175)	97,508	(13,250)	(25,600)	119,642	39,592	3,077,017
Cumulative effect of change in accounting policy								(1,208)
Restated balance	61,167	(175)	97,508	(13,250)	(25,600)	119,642	39,592	3,075,808
Changes of items during period								
Dividends of surplus								(48,192)
Net income								210,250
Purchase of treasury shares								(50)
Disposal of treasury shares								8
Retirement of treasury shares								–
Reversal of revaluation reserve for land								26,633
Increase by share transfers								–
Net changes of items other than shareholders' equity	65,025	(433)	(20,658)	25,475	158	69,567	(15,017)	54,542
Total changes of items during period	65,025	(433)	(20,658)	25,475	158	69,567	(15,017)	243,200
Balance at end of current period	126,192	(608)	76,850	12,217	(25,433)	189,208	24,567	3,319,017

Consolidated Statement of Cash Flows

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions) FY2013 (From April 1, 2013 to March 31, 2014)	Yen (millions) FY2014 (From April 1, 2014 to March 31, 2015)	U.S. dollars (thousands) (Note 2) FY2014 (From April 1, 2014 to March 31, 2015)
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 43,741	¥ 39,963	$ 333,025
Depreciation	19,959	20,188	168,233
Amortization of goodwill	3,210	4,514	37,617
Share of (profit) loss of entities accounted for using equity method	(143)	185	1,542
Increase (decrease) in net defined benefit liability	1,693	1,426	11,883
Increase (decrease) in other provision	1,124	(458)	(3,817)
Impairment loss	6,767	7,974	66,450
Loss on valuation of inventories	5,523	1,892	15,767
Loss on retirement of non-current assets	1,185	750	6,250
Interest and dividend income	(327)	(473)	(3,942)
Interest expenses	10,203	9,962	83,017
Decrease (increase) in notes and accounts receivable - trade	(5,795)	(306)	(2,550)
Decrease (increase) in inventories	(64,744)	(108,461)	(903,842)
Increase (decrease) in notes and accounts payable - trade	22,973	(10,549)	(87,908)
Increase (decrease) in deposits received for consignment sales	(26,163)	(872)	(7,267)
Increase (decrease) in deposits received for special joint ventures	(4,750)	17,700	147,500
Other, net	(3,807)	5,090	42,417
Subtotal	10,650	(11,473)	(95,608)
Interest and dividend income received	320	613	5,108
Interest expenses paid	(10,299)	(9,972)	(83,100)
Income taxes paid	(14,176)	(17,655)	(147,125)
Net cash provided by (used in) operating activities	¥ (13,504)	¥ (38,488)	$ (320,733)
Cash flows from investing activities			
Payments of loans receivable	(2,218)	(636)	(5,300)
Collection of loans receivable	136	1,125	9,375
Purchase of short-term and long-term investment securities	(10,214)	(14,768)	(123,067)
Proceeds from sales and redemption of short-term and long-term investment securities	2,294	2,887	24,058
Purchase of shares of subsidiaries	(4,775)	–	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(1,768)	(14,733)
Payments for lease and guarantee deposits	(7,640)	(9,741)	(81,175)
Proceeds from collection of lease and guarantee deposits	6,234	4,622	38,517
Purchase of non-current assets	(75,819)	(99,422)	(828,517)
Proceeds from sales of non-current assets	111,478	17,440	145,333
Other, net	269	(3)	(25)
Net cash provided by (used in) investing activities	¥ 19,745	¥ (100,263)	$ (835,525)

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions) FY2013 (From April 1, 2013 to March 31, 2014)	Yen (millions) FY2014 (From April 1, 2014 to March 31, 2015)	U.S. dollars (thousands) (Note 2) FY2014 (From April 1, 2014 to March 31, 2015)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	¥ 37,854	¥ (36,248)	$ (302,067)
Net increase (decrease) in commercial papers	–	73,000	608,333
Proceeds from long-term loans payable	167,604	210,672	1,755,600
Repayments of long-term loans payable	(209,036)	(127,926)	(1,066,050)
Proceeds from long-term lease and guarantee deposited	27,945	28,333	236,108
Repayments of long-term lease and guarantee deposited	(37,158)	(18,971)	(158,092)
Proceeds from issuance of bonds	20,000	20,000	166,667
Redemption of bonds	–	(200)	(1,667)
Cash dividends paid	(4,326)	(5,783)	(48,192)
Proceeds from share issuance to minority shareholders	2,581	257	2,142
Repayments to minority shareholders	–	(2,533)	(21,108)
Cash dividends paid to minority shareholders	(865)	(186)	(1,550)
Repayments of finance lease obligations	(1,509)	(1,222)	(10,183)
Net decrease (increase) in treasury shares	(80)	(5)	(42)
Net cash provided by (used in) financing activities	¥ 3,008	¥ 139,186	$ 1,159,883
Effect of exchange rate change on cash and cash equivalents	(443)	747	6,225
Net increase (decrease) in cash and cash equivalents	8,806	1,182	9,850
Cash and cash equivalents at beginning of period	84,070	92,723	772,692
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(153)	43	358
Cash and cash equivalents at end of period (Note 15)	¥ 92,723	¥ 93,949	$ 782,908

See accompanying notes to the consolidated financial statements.

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

1. Summary of Significant Accounting Policies

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

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

(a) Basis of Presenting Consolidated Financial Statements

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

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

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been rounded 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 110 consolidated subsidiaries as of March 31, 2015. During the year ended March 31, 2015, the following companies have become consolidated subsidiaries, for the following reasons, respectively: INFIELD CO.,LTD because of the acquisition of shares; Silent Partnership CLASSE, Silent Partnership ROUGE, Silent Partnership PIXIS, Silent Partnership KTMO and Silent Partnership KOTOR because of new investments made; Tokyu Housing Lease Corporation, TOKYU LIVABLE(TAIWAN),INC., TOKYU HANDS SINGAPORE Pte Ltd, TLC Pasadena LLC, TLC-MAC Union Street LLC, TLC-MAC Union Street GP LLC, TLC-MAC Union Street LP, TLC Nob Hill LLC, TLC Steadfast LLC, TLC Steadfast Nob Hill LLC, Nob Hill LLC, TLC 425 Park GP,LLC, TLC 425 Park,L.P., 425 TLC Feeder LLC because of new establishments thereof.

On the other hand, the following companies were excluded from the scope of consolidation due to the following reasons, respectively: United Communities Co., Ltd. because of its absorption in an absorption-type merger, with Community One Co., Ltd. as the surviving company; Tokyu Livable Sapporo Corporation, Tokyu Livable Nagoya, Inc. and Tokyu Livable Tohoku, Inc. because of the liquidation of the company; Silent Partnership SAKURANO DEPT SENDAI because of the sale of equity interest; and Silent Partnership

Pionero, Silent Partnership RB-4, and Silent Partnership Bell Flower because of their loss of importance due to the sales of their properties.

(c) Securities

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

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

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

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

(d) Inventories

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

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

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

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

Estimated useful lives are as follows:

Buildings and structures	3 to 65 years

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

(f) Intangible Assets (except for leased assets)

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

(g) Leases

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

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

(h) Allowance for Doubtful Accounts

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

(i) Provision for Bonuses

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

(j) Provision for Warranties for Completed Construction

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

(k) Retirement benefit liability

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

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

Actuarial gain and loss are amortized from the year following the year in which the gain or loss is incurred by the straight-line method over the period of principally 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.

(l) Recognition of Revenue

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

(m) Foreign Currency Translation

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

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

(n) Derivative Financial Instruments

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

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

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

(o) Amortization of Goodwill

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

(p) Cash and Cash Equivalents

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

(q) Income Taxes

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.

(r) 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, 2015.

2. Change in Accounting Policy

"Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012; hereinafter, "the Accounting Standard") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Statement No. 25, March 26, 2015; hereinafter, "the Guidelines") are applied from April 1, 2014 with regard to the provisions in the main clause of paragraph 35 of the Accounting Standard and the main clause of paragraph 67 of the Guidelines, revising the method of calculating retirement benefit obligations and service cost, modifying the method of attributing expected benefits to periods from the straight-line basis to the benefit formula basis as well as changing the discount rate from one based on the average remaining service years of its employees to a single weighted average discount rate reflecting the expected timing and amount of benefit payments.

Regarding the application of the Accounting Standard, the cumulative effect of the change in the calculation method of retirement benefit obligations and service cost was adjusted to retained earnings at April 1, 2014 according to the transitional treatment provided in paragraph 37 of the Accounting Standard.

As a result, at April 1, 2014 net defined benefit liability decreased by ¥148 million, deferred tax assets decreased by ¥294 million and retained earnings decreased by ¥145 million. The effects of adopting this method on income, segment information, and net assets per share and net income per share for the fiscal year ended March 31, 2015 were immaterial.

3. Basis of Financial Statements Translation

The accompanying consolidated financial statements presented herein are expressed in Japanese yen, and solely for the convenience of readers, have been translated into United States dollars at the rate of 120=U.S. $1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2015. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars at that rate.

4. Investments in Silent Partnerships

Investments in silent partnerships holding properties for sale included in securities at March 31, 2014 and 2015 are summarized as follows:.

	Yen (millions)		U.S. dollars (thousands)
	2014	2015	2015
Securities	¥ 184	¥ 1,585	$ 13,208

5. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in and loans to unconsolidated subsidiaries and affiliates at March 31, 2014 and 2015 consisted of the following:

	Yen (millions)		U.S. dollars (thousands)
	2014	2015	2015
Investment securities	¥ 6,332	¥ 12,964	$ 108,033

6. Contingent Liabilities

At March 31, 2014 and 2015 the Company and consolidated subsidiaries have the following contingent liabilities:

	Yen (millions)		U.S. dollars (thousands)
	2014	2015	2015
Guarantee of loans on behalf of:			
Individual customers for principally housing loans	¥ 10,712	¥ 8,776	$ 73,133
Employees for their purchase of residential houses	66	44	367
Others	860	1,313	10,942
	¥ 11,639	¥ 10,134	$ 84,450

7. Revaluation of Land

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

Method of revaluation

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

Date of revaluation

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

The market value exceeded the carrying amount of land after revaluation at March 31, 2015.

8. Pledged Assets and Secured Liabilities

Pledged assets and secured liabilities at March 31, 2014 and 2015 are summarized as follows:

(1) Pledged assets

	Yen (millions)		U.S. dollars (thousands)
	2014	2015	2015
Inventories (Real estate for sale)	¥ 25,866	¥ 100,984	$ 841,533
Buildings and structures	82,796	86,209	718,408
Land	552,382	594,770	4,956,417
Leasehold right	705	―	―
Investment securities	125	125	1,042
Long-term loans receivable	264	251	2,092
	¥ 662,141	¥ 782,342	$ 6,519,517

(2) Secured liabilities

	Yen (millions)		U.S. dollars (thousands)
	2014	2015	2015
Short-term loans payable	¥ 7,066	¥ 83,228	$ 693,567
Long-term loans payable	349,073	342,341	2,852,842
Other noncurrent liabilities	569	―	―
	¥ 356,709	¥ 425,569	$ 3,546,408

In addition to the above, cash of ¥542 million and ¥907 million (U.S. $7,558 thousand), and Investment securities of ¥1,456 million and ¥1,218 million (U.S. $10,150 thousand) were pledged as collateral for guarantee of the real estate trading business, at March 31,2014 and 2015, respectively.

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

	Yen (millions)		U.S. dollars (thousands)
	2014	2015	2015
Short-term loans payable			
(Current portion of long-term loans payable)	¥ 5,866	¥ 83,014	$ 691,783
Long-term loans payable	¥ 397,239	¥ 381,962	$ 3,183,017

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

	Yen (millions)		U.S. dollars (thousands)
	2014	2015	2015
Real estate for sale	¥ 23,246	¥ 100,984	$ 841,533
Land	551,236	591,943	4,932,858
Leasehold right	705	―	―
Buildings and structures	¥ 76,533	¥ 83,781	$ 698,175

In addition to the above, certain consolidated subsidiaries as borrowers have the right to demand additional investment from the Tokyu Land Corporation of ¥63,573 million and ¥63,029 million (U.S.$525,242 thousand) at March 31, 2014 and 2015, respectively (excluding those that arise as a result of convulsion of nature or other events in case of development type silent partnerships, etc.).

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

Short-term loans payable at March 31, 2014 and 2015 consist of loans principally from banks with weighted average interest rates of 0.35% in 2015.

Long-term debt at March 31, 2014 and 2015 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2014	2015	2015
0.78% unsecured corporate bond, maturing 2016	¥ 10,000	¥ 10,000	$ 83,333
0.70% unsecured corporate bond, maturing 2017	10,000	10,000	83,333
0.81% unsecured corporate bond, maturing 2017	10,000	10,000	83,333
0.63%unsecured corporate bond, maturing 2018	10,000	10,000	83,333
0.56%unsecured corporate bond, maturing 2018	10,000	10,000	83,333
0.39%unsecured corporate bond, maturing 2019	10,000	10,000	83,333
0.639%unsecured corporate bond, maturing 2021	10,000	10,000	83,333
0.298% unsecured corporate bond, maturing 2020	—	10,000	83,333
0.856% unsecured corporate bond, maturing 2025	—	10,000	83,333
1.35% specified corporate bond issued by special purpose companies, maturing 2015	200	—	—
Loans principally from Japanese banks and insurance companies (including loans in foreign currencies), maturing 2016 to 2025 with weighted average interest rates of 0.85% in 2015.			
Secured	356,140	425,569	3,546,408
Unsecured	485,234	493,592	4,113,267
	911,574	1,009,162	8,409,683
Less current portion	(101,338)	(170,500)	(1,420,833)
	¥ 810,235	838,661	6,988,842

The aggregate annual maturates of long-term debt after March 31, 2016 are as follows:

Year ending March 31,	Yen (millions)	U.S. dollars (thousands)
2017	¥ 283,308	$ 2,360,900
2018	220,538	1,837,817
2019	105,013	875,108
2020	74,917	624,308
2021 and thereafter	154,884	1,290,700
	¥ 848,661	$ 7,072,175

10. Commitment Lines

The Company and certain consolidated subsidiaries entered into contracts for overdraft with 21 banks at March 31, 2014 and 2015, and commitment lines with 4 banks at March 31, 2014 and 2015, respectively these contracts at March 31, 2014 and 2015 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2014	2015	2015
Limit of overdraft	¥ 165,669	¥ 229,769	$ 1,914,742
Line of credit	54,000	54,000	450,000
Borrowing outstanding	(41,217)	(43,217)	(360,142)
Available commitment lines	¥ 178,452	¥ 240,552	$ 2,004,600

11. Change in Purpose of Possession

The following amount was transferred from property, plant, and equipment to real estate for sale due to a change in the purpose of possession.

	Yen (millions)		U.S. dollars (thousands)
	2014	2015	2015
From property, plant and equipment to real estate for sale	¥ 11,118	¥ 39,376	$ 328,133

12. 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)
	2014	2015	2015
Loss on valuation of inventories	¥ 5,523	¥ 1,892	$ 15,767

13. Impairment Loss on Fixed Assets

2014

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

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

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

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

2015

For the year ended March 31, 2015, 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)
Leased assets	Land, buildings and structures, other fixed assets	Sendai-shi, Miyagi-ken	¥3,279	$27,325
Assets used by the Company Leased assets	Land, buildings and structures, other fixed assets	Shibuya-ku, Tokyo	¥2,017	$16,808
Assets used by the Company	Land, buildings and structures, other fixed assets	Machida-shi, Tokyo-to	¥919	$7,658
Others (28 assets)	Land, buildings and structures, other fixed assets	Other area	¥1,758	$14,650

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 41 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 ¥7,974 million ($66,450 thousand) under extraordinary losses.

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

14. Other Comprehensive Income

The following table presents components of other comprehensive income for the year ended March 31, 2015:

(1) Recycling associated with other comprehensive income

	Yen (millions)		U.S. dollars (thousands)
	2014	2015	2015
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ (2,664)	¥ 10,982	$ 91,517
Recycling	–	–	–
Total valuation difference on available-for-sale securities	¥ (2,664)	¥ 10,982	$ 91,517
Deferred gains or losses on hedges:			
Amount arising during the year	6	(75)	(625)
Recycling	–	–	–
Total deferred gains or losses on hedges	¥ 6	¥ (75)	$ (625)
Foreign currency translation adjustment:			
Amount arising during the year	(286)	2,356	19,633
Recycling	–	–	–
Total foreign currency translation adjustment	¥ (286)	¥ 2,356	$ 19,633
Remeasurements of defined benefits			
Amount arising during the year	–	(884)	(7,367)
Recycling	–	1,047	8,725
Total remeasurements of defined benefits	¥ –	¥ 163	$ 1,358
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	281	745	6,208
Recycling	–	–	–
Total share of other comprehensive income of entities accounted for using equity method	¥ 281	¥ 745	$ 6,208
Amount before tax effect	(2,662)	14,172	118,100
Tax effect	944	(2,582)	(21,517)
Total accumulated other comprehensive income	¥ (1,718)	¥ 11,590	$ 96,583

(2) Tax effect associated with other comprehensive income

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

	Yen (millions)		
	2015		
	Before tax effect	Tax effect	After tax effect
Valuation difference on available-for-sale securities	¥ 10,982	¥ (3,178)	¥ 7,803
Deferred gains or losses on hedges	(75)	22	(52)
Revaluation reserve for land	―	717	717
Foreign currency translation adjustment	2,356	―	2,356
Remeasurements of defined benefits	163	(143)	19
Share of other comprehensive income of entities accounted for using equity method	745	―	745
Total accumulated other comprehensive income	¥ 14,172	¥ (2,582)	¥ 11,590

	U.S. dollars (thousands)		
	2015		
	Before tax effect	Tax effect	After tax effect
Valuation difference on available-for-sale securities	$ 91,517	$ (26,483)	$ 65,025
Deferred gains or losses on hedges	(625)	183	(433)
Revaluation reserve for land	―	5,975	5,975
Foreign currency translation adjustment	19,633	―	19,633
Remeasurements of defined benefits	1,358	(1,192)	158
Share of other comprehensive income of entities accounted using equity method	6,208	―	6,208
Total accumulated other comprehensive income	$ 118,100	$ (21,517)	$ 96,583

15. Supplementary Cash Flow Information

For the purpose of the statement of cash flows, the Company considers all highly liquid investments with little risk of changes in value that have maturities of generally three months or less when purchased to be cash equivalents. The components of cash and cash equivalents at March 31, 2014 and 2015 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2014	2015	2015
Cash and deposits	¥ 93,070	¥ 94,275	$ 785,625
Time deposits with maturity over three months	(446)	(466)	(3,883)
Short-term investment securities	110	139	1,158
Short-term loans payable	(10)	−	−
Cash and cash equivalents	¥ 92,723	¥ 93,949	$ 782,908

Major items of assets and liabilities of silent partnerships that have ceased to be consolidated subsidiaries due to the sale of equity interest in these partnerships during the consolidated fiscal year

Items of assets and liabilities at the time of sale of the equity interest in Silent Partnership Sakurano DEPT Sendai in association with it ceasing to be a consolidated subsidiary, as well as the sale value of Silent Partnership Sakurano DEPT Sendai and payments on the sale are as follows:

	Yen (millions)	U.S. dollars (thousands)
	2015	2015
Current assets	¥ 870	$ 7,250
Non-current assets	7,859	65,492
Current liabilities	(273)	(2,275)
Non-current liabilities	(6,860)	(57,167)
Loss on sales of investments in silent partnership of subsidiaries and associates	(1,585)	(13,208)
Sale value of Silent Partnership Sakurano DEPT Sendai	10	83
Cash and cash equivalents of Silent Partnership Sakurano DEPT Sendai	(203)	(1,692)
Difference: Payments on the sale	¥ (193)	$ (1,608)

The details of significant non-cash transactions

	Yen (millions)		U.S. dollars (thousands)
	2014	2015	2015
The amount transferred from property, plant and equipment to real estate for sale due to change in purpose of holding the real estate.	¥ 11,118	¥ 39,376	$ 328,133

16. Information Regarding Certain Leases

(Finance Lease Transactions as lessee)

Finance leases, which commenced on or before March 31, 2008, other than those in which the ownership of the leased assets is to be transferred to the lessees at the end of the lease term, are accounted for using the same method as that of operating leases. Additional information on these finance leases as of and for the years ended March 31, 2014 and 2015 are as follows:

(1) Acquisition cost, accumulated depreciation, accumulated impairment loss, and carrying amount of leased properties (mainly office equipment) at March 31, 2014 and 2015 if they were capitalized

	Yen (millions)		U.S. dollars (thousands)
	2014	2015	2015
Acquisition cost	¥ 7,354	¥ 7,330	$ 61,083
Accumulated depreciation	2,501	2,858	23,817
Carrying amount	¥ 4,852	¥ 4,472	$ 37,267

(2) Future lease payments at March 31, 2014 and 2015

	Yen (millions)		U.S. dollars (thousands)
	2014	2015	2015
Due within one year	¥ 613	¥ 606	$ 5,050
Due after one year	7,333	6,726	56,050
Total	¥ 7,946	¥ 7,333	$ 61,108

(3) Amount of lease payments, reversal of impairment loss account on leased assets, depreciation expense equivalent, and interest expenses equivalent thereof at March 31, 2014 and 2015

	Yen (millions)		U.S. dollars (thousands)
	2014	2015	2015
Lease payments	¥ 632	¥ 613	$ 5,108
Reversal of impairment loss account on leased assets	-	-	-
Depreciation expense	396	378	3,150
Interest expenses	¥ 310	¥ 295	$ 2,458

(Operating Lease Transactions as lessee)

Future lease payments of non-cancellable leases at March 31, 2014 and 2015 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2014	2015	2015
Due within one year	¥ 17,122	¥ 21,733	$ 181,108
Due after one year	124,056	138,520	1,154,333
Total	¥ 141,179	¥ 160,254	$ 1,335,450

(Operating Lease Transactions as lessor)

Future lease payments of non-cancellable leases to be received at March 31, 2014 and 2015 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2014	2015	2015
Due within one year	¥ 22,947	¥ 26,985	$ 224,875
Due after one year	167,626	169,938	1,416,150
Total	¥ 190,573	¥ 196,923	$ 1,641,025

17. Financial Instruments

Financial instruments at March 31, 2014 and 2015 are summarized as follows:

Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

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

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

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, 2015 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2).

	Yen (millions)					
	Carrying value		Estimated fair value		Difference	
(1) Cash and deposits	¥	94,275	¥	94,275	¥	-
(2) Investment securities						
Held-to-maturity securities		1,146		1,157		10
Other securities		55,105		55,105		-
Total assets	¥	150,527	¥	150,538	¥	10
(1) Short-term loans payable		43,217		43,217		-
(2) Commercial papers		73,000		73,000		-
(3) Bonds payable		90,000		90,461		(461)
(4) Long-term loans payable		919,162		920,726		(1,564)
Total liabilities	¥	1,125,379	¥	1,127,405	¥	(2,025)
Derivatives	¥	(63)	¥	(63)	¥	-

	U.S. dollars (thousands)					
	Carrying value		Estimated fair value		Difference	
(1) Cash and deposits	$	785,625	$	785,625	$	-
(2) Investment securities						
Held-to-maturity securities		9,550		9,642		83
Other securities		459,208		459,208		-
Total assets	$	1,254,392	$	1,254,483	$	83
(1) Short-term loans payable		360,142		360,142		-
(2) Commercial papers		608,333		608,333		-
(3) Bonds payable		750,000		753,842		(3,842)
(4) Long-term loans payable		7,659,683		7,672,717		(13,033)
Total liabilities	$	9,378,158	$	9,395,042	$	(16,875)
Derivatives	$	(525)	$	(525)	$	-

Notes:

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

Assets

Cash and deposits

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

Securities and Investment securities

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

Liabilities

Short-term loans payable and Commercial papers

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

Bonds payable (Including current portion of bonds)

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

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

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

Derivatives

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

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

	Yen (millions)	U.S. dollars (thousands)
Preferred equity securities of special purpose companies	¥ 347	$ 2,892
Unlisted stocks	21,411	178,425
Investments in silent partnerships – current	1,585	13,208
Investments in silent partnerships – noncurrent	¥ 2,340	$ 19,500

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	¥ 62,208	$ 518,400
Long-term lease and guarantee deposited	¥ 176,248	$ 1,468,733

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

3. Redemption schedule for receivables and marketable securities with maturities at March 31, 2015

	Yen (millions)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	¥ 92,768	¥ -	¥ -	¥ -
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	227	909	9	-
(2) Corporate bonds	-	-	-	-
Other securities with maturities				
(1) National and local government bonds	20	59	-	-
(2) Corporate bonds	-	-	-	-
Total	¥ 93,017	¥ 969	¥ 9	¥ -

	U.S. dollars (thousands)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	$ 773,067	$ -	$ -	$ -
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	1,892	7,575	75	-
(2) Corporate bonds	-	-	-	-
Other securities with maturities				
(1) National and local government bonds	167	492	-	-
(2) Corporate bonds	-	-	-	-
Total	$ 775,142	$ 8,075	$ 75	$ -

18. Securities

Securities held by the Company as of March 31, 2014 and 2015 are summarized as follows:

(1) Held-to-maturity Securities

2014	Yen (millions)		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
Government and municipal bonds, etc.	¥ 851	¥ 864	¥ 12
Subtotal	851	864	12
Securities whose fair value does not exceed book value:			
Government and municipal bonds, etc.	598	596	(2)
Subtotal	598	596	(2)
Total	¥ 1,450	¥ 1,460	¥ 10

2015	Yen (millions)		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
Government and municipal bonds, etc.	¥ 898	¥ 909	¥ 10
Subtotal	898	909	10
Securities whose fair value does not exceed book value:			
Government and municipal bonds, etc.	247	247	(0)
Subtotal	247	247	(0)
Total	¥ 1,146	¥ 1,157	¥ 10

2015	U.S. dollars (thousands)		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
Government and municipal bonds, etc.	$ 7,483	$ 7,575	$ 83
Subtotal	7,483	7,575	83
Securities whose fair value does not exceed book value:			
Government and municipal bonds, etc.	2,058	2,058	(0)
Subtotal	2,058	2,058	(0)
Total	$ 9,550	$ 9,642	$ 83

(2) Other Securities

2014

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

2015

	Yen (millions)		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥ 54,958	¥ 32,439	¥ 22,519
Government and municipal bonds, etc.	20	20	0
Subtotal	54,979	32,460	22,519
Securities whose book value does not exceed acquisition cost:			
Stocks	0	0	(0)
Government and municipal bonds, etc.	59	59	(0)
Other	64	64	-
Subtotal	125	125	(0)
Total	¥ 55,105	¥ 32,585	¥ 22,519

2015

	U.S. dollars (thousands)		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	$ 457,983	$ 270,325	$ 187,658
Government and municipal bonds, etc.	167	167	0
Subtotal	458,158	270,500	187,658
Securities whose book value does not exceed acquisition cost:			
Stocks	0	0	(0)
Government and municipal bonds, etc.	492	492	(0)
Other	533	533	-
Subtotal	1,042	1,042	(0)
Total	$ 459,208	$ 271,542	$ 187,658

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

Other Securities	Yen (millions)		U.S. dollars (thousands)
	Book value		
	2014	2015	2015
Preferred securities of special purpose companies	¥ 143	¥ -	$ -
Unlisted stocks, etc	11,823	9,587	79,892
Investments in silent partnerships	¥ 1,588	¥ 1,548	$ 12,900

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

(3) Sales of Other Securities

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

2014	Yen (millions)		
Type	Sales amount	Aggregate gains	Aggregate losses
Stocks	¥ 61	¥ 41	¥ -
Other	6	-	-
Total	¥ 67	¥ 41	¥ -

Sales of other securities and corresponding aggregate gains and aggregate losses for the years ended March 31, 2015: Not applicable.

19. Derivatives

Contract / notional amount and the estimated fair value of the derivative instruments as of March 31, 2014 and 2015 are summarized as follows:

(1) Derivatives to which hedge accounting is not applied : Currency-related transactions

2014	Type of derivatives	Yen (millions) Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain(loss)
Non-market transaction	NDF To buy foreign currency: Indonesian rupiah	¥ 6,453	¥ -	¥ (347)	¥ (347)

2015	Type of derivatives	Yen (millions) Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain(loss)
Non-market transaction	NDF To buy foreign currency: Indonesian rupiah	¥ 11,079	¥ 4,171	¥ (36)	¥ (36)

2015	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 buy foreign currency: Indonesian rupiah	$ 92,325	$ 34,758	$ (300)	$ (300)

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

(2) Derivatives to which hedge accounting is applied : Interest rate-related transactions

2014

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

2015

Hedge accounting method	Type of derivatives	Major hedged items	Yen (millions) Contract/ notional amount	Amount due after one year	Fair value
Deferred hedge accounting	Interest rate swaps Receive / floating Pay / fixed	Long-term debt	¥ 2,170	¥ 2,170	¥ (27)
Special treatment for interest rate swaps	Interest rate swaps Receive / floating Pay / fixed	Long-term debt	¥ 388,445	¥ 287,982	¥ -

2015			U.S. dollars (thousands)		
Hedge accounting method	Type of derivatives	Major hedged items	Contract/ notional amount	Amount due after one year	Fair value
Deferred hedge accounting	Interest rate swaps Receive / floating Pay / fixed	Long-term debt	$ 18,083	$ 18,083	$ (225)
Special treatment for interest rate swaps	Interest rate swaps Receive / floating Pay / fixed	Long-term debt	$ 3,237,042	$ 2,399,850	$ -

Notes:

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

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

20. Employees' Retirement and Severance Benefits

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

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

Defined benefit plan

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

1. Principle method

	Yen (millions) 2014	Yen (millions) 2015	U.S. dollars (thousands) 2015
Retirement benefit obligations at beginning of year	¥ 28,981	¥ 29,448	$ 245,400
Cumulative effects of changes in accounting policies	-	(148)	(1,233)
Restated balance	28,981	29,299	244,158
Service cost	1,678	1,763	14,692
Interest cost	286	276	2,300
Actuarial loss	(15)	1,053	8,775
Retirement benefits paid	(1,482)	(1,327)	(11,058)
The amount of transfer in association with changing from the simplified method to the principle method.	-	55	458
Retirement benefit obligations at end of year	¥ 29,448	¥ 31,120	$ 259,333

2. Simplified method

	Yen (millions) 2014	Yen (millions) 2015	U.S. dollars (thousands) 2015
Retirement benefit obligations at beginning of year	1,651	1,709	14,242
Retirement benefit cost	298	269	2,242
Retirement benefits paid	(240)	(97)	(808)
The amount of transfer in association with changing from the simplified method to the principle method.	-	(55)	(458)
Retirement benefit obligations at end of year	¥ 1,709	¥ 1,825	$ 15,208

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

	Yen (millions) 2014	Yen (millions) 2015	U.S. dollars (thousands) 2015
Pension assets at beginning of year	¥ 5,647	¥ 6,044	50,367
Expected return on plan assets	155	260	2,167
Actuarial loss	219	168	1,400
Contributions from employer	458	460	3,833
Retirement benefits paid	(437)	(361)	(3,008)
Pension assets at end of year	¥ 6,044	¥ 6,571	54,758

III. Table of reconciliation of retirement benefit obligations and pension assets as of March 31,2014 and 2015 and retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheet

	Yen (millions) 2014	Yen (millions) 2015	U.S. dollars (thousands) 2015
Retirement benefit obligations under the savings-type plan	¥ 6,685	¥ 7,189	$ 59,908
Plan assets at fair value	(6,044)	(6,571)	(54,758)
	640	618	5,150
Retirement benefit obligations under the non-savings-type plan	24,472	25,756	214,633
Net amount of liability and asset recorded in the consolidated balance sheet	¥ 25,113	¥ 26,374	$ 219,783
Retirement benefit liability	25,722	26,751	222,925
Retirement benefit asset	(608)	(377)	(3,142)
Net amount of liabilitity and asset recorded in the consolidated balance sheet	¥ 25,113	¥ 26,374	$ 219,783

IV. Components of retirement benefit cost for the year ended March 31,2014 and 2015

	Yen (millions) 2014	Yen (millions) 2015	U.S. dollars (thousands) 2015
Service cost	¥ 1,678	¥ 1,763	$ 14,692
Interest cost	286	276	2,300
Expected return on plan assets	(155)	(260)	(2,167)
Amortization of transition difference resulting from change in accounting standard	351	351	2,925
Amortization of actuarial loss	703	650	5,417
Amortization of prior service cost	36	36	300
Retirement benefit cost calculated using the simplified method	298	269	2,242
Retirement benefit cost for the defined benefit plan	¥ 3,197	¥ 3,087	$ 25,725

V. Remeasurements of defined benefit plans,net of tax

	Yen (millions) 2014	Yen (millions) 2015	U.S. dollars (thousands) 2015
Transition difference resulting from change in accounting standard	¥ -	¥ 360	3,000
Prior service cost	-	36	300
Actuarial loss	-	(234)	(1,950)
Total	¥ -	¥ 163	1,358

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 31,2014.

	Yen (millions)		Yen (millions)		U.S. dollars (thousands)	
	2014		2015		2015	
Unrecognized transition difference resulting from change in accounting standard	¥	(360)	¥	-	$	-
Unrecognized prior service cost		(239)		(203)		(1,692)
Unrecognized actuarial loss		(3,838)		(4,072)		(33,933)
Total	¥	(4,438)	¥	(4,275)	$	(35,625)

VII. Pension assets

1. The ratio by major category of the total pension assets as of March 31,2014 and 2015 are set forth below.

	2014	2015
Bonds	37%	38%
Stocks	27%	27%
General account	29%	28%
Others	7%	7%
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.

IX. Matters regarding assumptions for actuarial calculations

Major assumptions for actuarial calculations as of March 31,2014 and 2015

	2014	2015
Discount rate	0.42%～1.20%	0.41%～1.20%
Long-term expected rate of return on pension assets	0.75%～3.00%	0.75%～5.00%
Expected rate of salary increase	―	1.22％～6.72％

Defined contribution plan

The amount required to be contributed to the defined contribution plan are ¥1,159 million and ¥1,238 ($ 12,137 thousand) for the year ended March 31,2014 and 2015.

21. Income Taxes

Significant components of deferred tax assets and deferred tax liabilities at March 31, 2014 and 2015 are as follows:

	Yen (millions)	Yen (millions)	U.S. dollars (thousands)
	2014	2015	2015
Deferred tax assets:			
Valuation loss on inventories	¥ 375	¥ 343	$ 2,858
Valuation loss on securities	3,251	2,742	22,850
Amortization of intangible assets	3,795	3,724	31,033
Allowance for doubtful accounts	246	212	1,767
Accrued expenses	71	80	667
Accrued bonuses to employees	3,784	3,400	28,333
Retirement benefit liability	8,385	8,052	67,100
Net operating loss carry forwards	2,421	732	6,100
Unrealized inter-company profits	763	441	3,675
Impairment losses on fixed assets	3,688	3,189	26,575
Loss of investments in silent partnerships	1,321	277	2,308
Valuation difference on consolidated subsidiaries	1,473	1,359	11,325
Undistributed loss from consolidated subsidiaries	771	797	6,642
Accrued enterprise tax/business office tax	884	1,082	9,017
Revaluation of assets for merger	8	7	58
Asset retirement obligations	1,184	1,365	11,375
Other	3,534	4,287	35,725
Gross deferred tax assets	35,963	32,097	267,475
Less: valuation allowance	(8,832)	(6,920)	(57,667)
Total deferred tax assets	¥ 27,130	¥ 25,176	$ 209,800
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ 4,024	¥ 7,203	$ 60,025
Allowance for doubtful accounts	6	8	67
Valuation difference on consolidated subsidiaries	32,709	29,726	247,717
Reserve for advanced depreciation of noncurrent assets	2,905	2,621	21,842
Loss on approval for exchange of land rights	910	811	6,758
Property, plant and equipment corresponding to asset retirement obligations	778	850	7,083
Other	920	917	7,642
Total deferred tax liabilities	42,254	42,139	351,158
Net deferred tax assets	¥ (15,123)	¥ (16,962)	$ (141,350)

	Yen (millions)	Yen (millions)	U.S. dollars (thousands)
	2014	2015	2015
Deferred tax assets – current	¥ 7,532	¥ 7,011	$ 58,425
Deferred tax assets – non current	11,164	7,919	65,992
Deferred tax liabilities – current (included in other current liabilities)	(1,329)	(1,728)	(14,400)
Deferred tax liabilities – non current	(32,490)	(30,164)	(251,367)
	¥ (15,123)	¥ (16,962)	$ (141,350)

Notes regarding the difference between the effective tax rate reflected in the consolidated statement of income and the statutory tax rate for the year ended March 31, 2014 and 2015 are omitted because the difference was less than or equal to five-hundredths of the statutory tax rate.

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 9 of 2015) and the “Act for Partial Amendment of the Local Tax Act, etc.” (Act No. 2 of 2015) were promulgated on March 31, 2015, and corporate tax rates, etc. will be lowered, etc. from consolidated fiscal years beginning on or after April 1, 2015. As a result, the effective statutory tax rate used in the calculation of deferred tax assets and deferred tax liabilities will be lowered from the conventional rate of 35.64% to 33.10% for the temporary differences that are expected to be realized in the consolidated fiscal year beginning on April 1, 2015, and to 32.34% for temporary differences that are expected to be realized from the consolidated fiscal year beginning on or after April 1, 2016.

Due to the change in the tax rate, the amount of deferred tax liabilities (the amount after offsetting the amount of deferred tax assets) has decreased by ¥2,797 million. Income taxes-deferred and the valuation difference on available-for-sale securities have increased by ¥1,472 million and ¥734 million, respectively, and the deferred gains or losses on hedges and remeasurements of defined benefits have decreased by ¥3 million and ¥125 million, respectively.

In addition, deferred tax liabilities for land revaluation have decreased by ¥719 million, and revaluation reserve for land has increased by the same amount.

22. Investment and Rental Properties

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

Yen (millions)			
Carrying value			Fair value
As of April 1, 2014	Net change	As of March 31, 2015	As of March 31, 2015
¥ 662,138	¥ 43,521	¥ 705,660	¥ 770,063

U.S. dollars (thousands)			
Carrying value			Fair value
As of April 1, 2014	Net change	As of March 31, 2015	As of March 31, 2015
$ 5,517,817	$ 362,675	$ 5,880,500	$ 6,417,192

Notes:

1. The carrying value represents the acquisition cost less accumulated depreciation and cumulative impairment loss.
2. Of the changes during the period, increases were mainly attributable to the acquisition of properties of ¥95,918 million ($ 799,317 thousand), and decreases primarily reflected the sales of properties of ¥13,143 million ($ 109,525 thousand) and transfers to real estate for sale of ¥32,758 million ($ 272,983 thousand).
3. The fair value is mainly estimated in accordance with appraisal standards for valuing real estate.
4. Determining the fair value of properties in the planning stage (consolidated balance sheet amount of ¥252,413 million ($ 2,103,422 thousand) as of March 31, 2015) is extremely difficult, since they are in the early stages of development. For this reason, they are not included in the table above.

23. Per Share Information

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

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

	Yen		U.S. dollars
	2014	2015	2015
Net asset per share of common stock as of March 31	¥ 598.73	¥ 649.40	$ 5.41
Net income per share of common stock for the year ended March 31	¥ 41.61	¥ 41.45	$ 0.35

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

	Yen (millions)		U.S. dollars (thousands)
	2014	2015	2015
For the year ended March 31			
Net income	¥ 23,712	¥ 25,230	$ 210,250
Net income of common stock	¥ 23,712	¥ 25,230	$ 210,250
Weighted average number of shares of common stock (thousands)	569,909	608,775	

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

	Yen (millions)	U.S. dollars (thousands)	U.S. dollars (thousands)
	2014	2015	2015
As of March 31			
Total net assets	¥ 369,242	¥ 398,282	$ 3,319,017
Minority interests	(4,751)	(2,948)	(24,567)
Net assets of common stock at March 31	¥ 364,491	¥ 395,333	$ 3,294,442
Number of shares of common stock at March 31 (thousands)	608,777	608,771	

24. Related Party Transactions

Principal transactions between the Company and its related parties during the years ended March 31, 2014 and 2015 are summarized as follows:

Names of related parties	Relation	Description	Yen (millions)		U.S. dollars (thousands)
			2014	2015	2015
Kiyoshi Kanazashi	Director	Reconstruction of house	¥ 40	¥ -	$ -
Hitoshi Uemura	Director	Sale of house	¥ 24	¥ -	$ -

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

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 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 Group reorganized its structure and reportable segments effective April 1, 2014. The segment information of the previous fiscal year have been reclassified in accordance with the new segment structure.

The business of the Company and its consolidated subsidiaries is composed primarily of seven segments: (1) Urban Development; (i) development, leasing, and operation of office buildings, retail facilities, rental residences and other properties and, (ii) sales of properties for investors, (2) Residential; development and sales of condominiums and detached housing, (3) Property Management; (i) property management of condominiums, buildings and retail facilities and, (ii)construction of common areas of condominiums, (4) Real-Estate Agents; real estate brokerage and property sales, (5) Wellness; (i) development and sales of membership resort hotels and country houses and, (ii) ownership and management of resort facilities, senior housing and membership sports clubs, (6) Tokyu Hands; retail sales of materials and products for living and D-I-Y, and (7) Business Innovation and Others, (i) development, sales, and leasing of condominiums and other properties in overseas, (ii) construction of residential homes and others.

Information by geographic areas is omitted as overseas sales of the Company for the year ended March 31, 2015 are less than 10 percent of consolidated revenue.

Summarized information by business segment for the year ended March 31, 2014 and 2015 are as follows:

	Yen (millions)								
Year ended March 31, 2014	Urban Development	Residential	Property Management	Real-Estate Agents	Wellness	Tokyu Hands	Business Innovation and Others	Elimination/ Headquarters	Consolidated
Revenues:									
Third party customers	175,215	141,735	132,516	55,227	73,616	84,054	51,702	—	714,067
Inter-segment	3,049	21	6,878	3,147	277	441	7,732	(21,548)	—
Total	178,264	141,756	139,395	58,374	73,893	84,495	59,435	(21,548)	714,067
Operating income	32,261	11,305	9,198	9,152	1,861	1,097	(1,181)	(2,262)	61,433
Total assets	1,238,077	111,640	85,339	55,351	204,104	31,977	53,040	10,290	1,789,822
Depreciation expenses	11,379	137	645	886	4,975	1,123	792	18	19,959
Amortization of goodwill	116	—	1,888	—	(3)	—	—	1,208	3,210
Investment in equity-method affiliates	—	—	—	—	—	—	3,507	544	4,052
Capital expenditures	64,232	486	1,492	1,397	6,944	1,104	1,472	410	77,539

Year ended March 31, 2015	Yen (millions)								
	Urban Development	Residential	Property Management	Real-Estate Agents	Wellness	Tokyu Hands	Business Innovation and Others	Elimination/ Headquarters	Consolidated
Revenues:									
Third party customers	258,197	104,823	128,320	58,923	74,782	87,478	60,619	—	773,149
Inter-segment	2,842	18	7,771	2,444	270	451	7,681	(21,475)	—
Total	261,040	104,841	136,091	61,368	75,052	87,930	68,300	(21,475)	773,149
Operating income	38,496	5,542	9,097	9,381	4,415	894	1,175	(5,702)	63,300
Total assets	1,363,070	146,548	89,584	57,141	206,249	36,045	76,969	(1,807)	1,973,801
Depreciation expenses	10,644	156	770	1,203	5,206	1,151	967	87	20,188
Amortization of goodwill	129	—	1,897	—	(3)	—	1	2,488	4,514
Investment in equity-method affiliates	—	—	—	589	—	—	4,289	609	5,488
Capital expenditures	83,794	613	1,764	1,619	7,297	3,535	2,990	581	102,198

Year ended March 31, 2015	U.S. dollars (thousands)								
	Urban Development	Residential	Property Management	Real-Estate Agents	Wellness	Tokyu Hands	Business Innovation and Others	Elimination/ Headquarters	Consolidated
Revenues:									
Third party customers	2,151,642	873,525	1,069,333	491,025	623,183	728,983	505,158	—	6,442,908
Inter-segment	23,683	150	64,758	20,367	2,250	3,758	64,008	(178,958)	—
Total	2,175,333	873,675	1,134,092	511,400	625,433	732,750	569,167	(178,958)	6,442,908
Operating income	320,800	46,183	75,808	78,175	36,792	7,450	9,792	(47,517)	527,500
Total assets	11,358,917	1,221,233	746,533	476,175	1,718,742	300,375	641,408	(15,058)	16,448,342
Depreciation expenses	88,700	1,300	6,417	10,025	43,383	9,592	8,058	725	168,233
Amortization of goodwill	1,075	-	15,808	-	(25)	-	8	20,733	37,617
Investment in equity-method affiliates	-	-	-	4,908	-	-	35,742	5,075	45,733
Capital expenditures	698,283	5,108	14,700	13,492	60,808	29,458	24,917	4,842	851,650

Company Profile (parent company)

Established	Octomber 1, 2013
Headquarters	Shin-Nanpeidai Tokyu Building., Dogenzaka 1-21-2, Shibuya-ku, Tokyo
Capital	¥ 60,000 million (as of March 31, 2015)
URL	http://www.tokyu-fudosan-hd.co.jp/english/