

# Financial Analysis

## Results of Operations

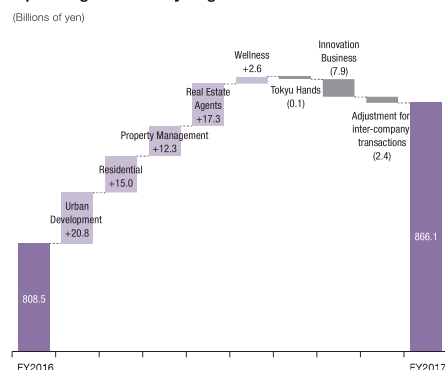
### Summary of Results

	(Billions of yen)			
	FY2015	FY2016	FY2017	Comparison
Operating revenue	815.5	808.5	<b>866.1</b>	+57.6
Operating profit	68.8	73.2	<b>77.5</b>	+4.3
Ordinary profit	56.4	63.6	<b>68.7</b>	+5.1
Profit attributable to owners of parent	28.7	31.5	<b>35.2</b>	+3.7
Debt/EBITDA ratio*	11.7 times	11.2 times	<b>11.4 times</b>	+0.2 pts
ROA	3.5%	3.6%	<b>3.7%</b>	+0.1 pts
ROE	7.1%	7.3%	<b>7.7%</b>	+0.4 pts

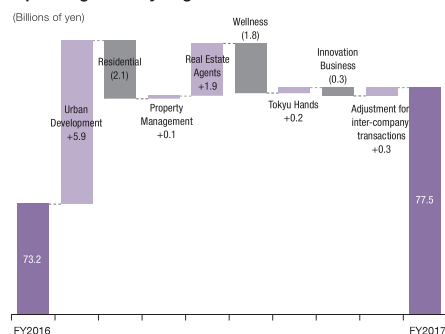
\* Debt/EBITDA ratio: Interest bearing debt ÷ EBITDA

- In fiscal 2017, operating revenue was ¥866.1 billion (up 7.1% year on year), operating profit was ¥77.5 billion (up 5.9%), ordinary profit was ¥68.7 billion (up 8.0%), and profit attributable to owners of parent was ¥35.2 billion (up 11.6%).
- Revenue and profit increased amid firm conditions in the real estate market. Contributing factors included an increase in gains on sales of buildings to investors and improvement in lease revenues from existing buildings in the Urban Development segment, and strong performance in the Real Estate Agents segment.
- Operating profit, ordinary profit and profit attributable to owners of parent increased for the fifth consecutive year since the shift to the current holding company structure.

### Operating Revenue by Segment



### Operating Profit by Segment



- In segment results for fiscal 2017, revenue and profit increased in the Urban Development, Property Management and Real Estate Agents segments; revenue increased but profit declined in the Residential and Wellness segments; revenues declined but profit increased in the Tokyu Hands segment; and revenue and profit declined in the Innovation Business segment.
- In the Urban Development segment, revenue and profit increased owing to an increase in gain on sales of buildings to investors, improvement in lease revenue from existing buildings, and the full-year contribution of National Students Information Center Co., Ltd., which became a consolidated subsidiary in November 2016.
- In the Residential segment, revenue increased due to higher sales of rental housing and other properties to investors. Profit decreased, mainly because the gross margin dropped in comparison with fiscal 2016, when the Company recorded the sale of highly profitable properties.
- In the Property Management segment, revenue and profit increased due to the effect of the transfer of a portion of the renovation business from the Innovation Business segment with the October 2017 start of operations of Tokyu Re+ design Corporation, which was established to strengthen the renovation business.

- In the Real Estate Agents segment, revenue and profit increased as the number of transactions and contract prices rose in both the retail and wholesale divisions against the backdrop of a firm real estate transaction market.
- In the Wellness segment, revenue increased, mainly due to new operation of senior housing and Tokyu Stay urban-style hotels. However, profit decreased, reflecting the absence of revenue from sales of land for vacation homes recorded in fiscal 2016 and other factors.
- In the Tokyu Hands segment, revenue from existing stores decreased, but profit increased as a result of lower expenses.
- In the Innovation Business segment, although overseas business sales increased, revenue and profit decreased, mainly due to the effect of the transfer of a portion of the renovation business to the Property Management segment.

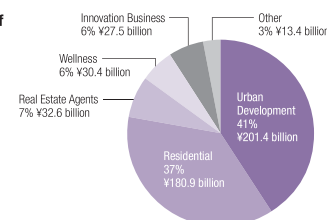
## Financial Position

### Assets, Liabilities and Net Assets

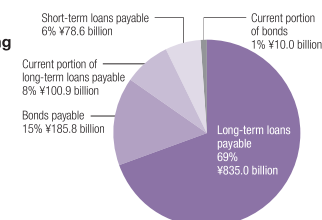
	(Billions of yen)			
	FY2015	FY2016	FY2017	Comparison
Real estate for sale	364.4	418.6	<b>473.7</b>	+55.1
Non-current assets	1,207.7	1,164.1	<b>1,165.6</b>	+1.5
Goodwill	75.9	88.0	<b>82.6</b>	(5.4)
Investments and loans	203.2	214.7	<b>258.1</b>	+43.5
Other	133.2	181.8	<b>196.7</b>	+15.0
Total assets	1,984.4	2,067.2	<b>2,176.8</b>	+109.6
Interest-bearing debt	1,106.1	1,137.9	<b>1,210.4</b>	+72.5
Other	455.9	483.0	<b>491.0</b>	+8.1
Total liabilities	1,562.0	1,620.8	<b>1,701.4</b>	+80.6
Total net assets	422.4	446.3	<b>475.3</b>	+29.0

- As of March 31, 2018, total assets were ¥2,176.8 billion, an increase of ¥109.6 billion from the end of the previous fiscal year. Land and buildings for sale increased due to investment in the renewable energy business and other infrastructure-related investments, and investment securities increased due to factors including a joint investment with Norges Bank.
- Total liabilities were ¥1,701.4 billion, an increase of ¥80.6 billion from the end of the previous fiscal year due to an increase in interest-bearing debt and other factors. Net assets were ¥475.3 billion, increasing ¥29.0 billion from the end of the previous fiscal year as retained earnings increased due to factors including the recording of profit attributable to owners of parent.

### Breakdown of Inventories



### Breakdown of Interest-Bearing Debt



### Market Value Appraisal for Leased Properties

	(Billions of yen)			
	FY2015	FY2016	FY2017	Comparison
Carrying value	866.9	797.5	<b>791.4</b>	(6.1)
Fair value	967.7	928.5	<b>937.1</b>	+8.6
Difference	100.8	131.0	<b>145.7</b>	+14.7

- The carrying value of leased properties, including office buildings and commercial facilities, as of March 31, 2018 was ¥791.4 billion, and the fair value was ¥937.1 billion, a difference of ¥145.7 billion. In a strong real estate market, the fair value appraisal is increasing as a result of increasing lease revenues and a decline in the cap rate. Properties in planning that have not yet opened (¥137.4 billion at March 31, 2018) are not included in the fair value and the carrying value at the end of the period as their fair value cannot be readily ascertained.

### Cash Flows

	(Billions of yen)			
	FY2015	FY2016	FY2017	Comparison
Cash flows from operating activities	87.9	68.9	<b>12.3</b>	(56.7)
Cash flows from investing activities	(112.4)	(71.0)	<b>(96.4)</b>	(25.4)
Cash flows from financing activities	(30.5)	23.0	<b>82.4</b>	+59.4

- In the fiscal year ended March 31, 2018, net cash used in investing activities was ¥96.4 billion as a result of purchase of non-current assets, including office buildings and commercial facilities, and purchase of investment securities due to the joint investment with Norges Bank. These investments were funded by cash flow from operating activities and cash flow from financing activities, including proceeds from loans payable and issuance of bonds.
- Net cash provided by operating activities decreased compared with the previous fiscal year because of non-recurring factors including a ¥70.7 billion increase in inventories due to the progress of investment in real estate for sale.

### Shareholder Returns

	(Billions of yen)			
	FY2015	FY2016	FY2017	Comparison
Dividends per share (yen)	12.00	13.00	<b>14.50</b>	+1.50
Net profit per share (yen)	47.18	51.77	<b>57.80</b>	+6.03
Dividend payout ratio	25.4%	25.1%	<b>25.1%</b>	—

- The Company considers returns to shareholders one of its most important management policies. Our policy is to maintain stable dividends based on a payout ratio target of 25% or higher. Dividends are determined after comprehensively considering factors such as business performance, the outlook for the operating environment and financing needs for medium- and long-term development.
- We increased dividends for the fifth consecutive fiscal year in fiscal 2017, reflecting steady growth in profit attributable to owners of parent.

# Consolidated Balance Sheets

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands)
	As of March 31, 2017	As of March 31, 2018	(Note 2) As of March 31, 2018
<b>Assets</b>			
Current assets			
Cash and deposits (Note 7)	¥ 62,885	¥ 62,785	\$ 592,311
Notes and accounts receivable – trade	27,391	31,042	292,849
Securities (Notes 3,10,17)	5,403	15,831	149,349
Merchandise	12,023	11,759	110,934
Real estate for sale (Notes 7,10)	213,239	207,705	1,959,481
Real estate for sale in process	199,431	260,138	2,454,132
Costs on uncompleted construction contracts	5,948	5,858	55,264
Supplies	779	746	7,038
Deferred tax assets (Note 20)	12,474	8,712	82,189
Other	48,591	54,084	510,226
Allowance for doubtful accounts	(143)	(110)	(1,038)
Total current assets	588,025	658,554	6,212,774
Non-current assets			
Property, plant and equipment			
Buildings and structures	394,607	404,150	3,812,736
Accumulated depreciation	(169,750)	(179,695)	(1,695,236)
Buildings and structures, net (Note 7)	224,857	224,455	2,117,500
Land (Notes 6,7)	815,232	813,087	7,670,632
Construction in progress	77,129	79,430	749,340
Other	62,025	64,322	606,811
Accumulated depreciation	(38,465)	(40,624)	(383,245)
Other, net	23,560	23,698	223,566
Total property, plant and equipment (Notes 10,21)	1,140,779	1,140,671	10,761,047
Intangible assets			
Leasehold right	9,567	8,758	82,623
Goodwill	87,975	82,553	778,802
Other	13,772	16,186	152,698
Total intangible assets (Note 10)	111,315	107,498	1,014,132
Investments and other assets			
Investment securities (Notes 7,10,17)	119,314	159,863	1,508,142
Long-term loans receivable (Note 7)	3,547	282	2,660
Lease and guarantee deposits	68,664	72,829	687,066
Net defined benefit asset (Note 19)	644	821	7,745
Deferred tax assets (Note 20)	13,047	12,247	115,538
Other	22,515	24,343	229,651
Allowance for doubtful accounts	(701)	(351)	(3,311)
Total investments and other assets	227,032	270,036	2,547,509
Total non-current assets	1,479,126	1,518,206	14,322,698
<b>Total assets</b>	<b>¥2,067,152</b>	<b>¥2,176,761</b>	<b>\$20,535,481</b>

Account title	Yen (millions)		U.S. dollars (thousands)
	As of March 31, 2017	As of March 31, 2018	(Note 2) As of March 31, 2018
<b>Liabilities</b>			
Current liabilities			
Notes and accounts payable – trade	¥ 40,791	¥ 36,977	\$ 348,840
Short-term loans payable (Notes 7,8,9)	257,025	179,532	1,693,698
Commercial papers	60,000	—	—
Current portion of bonds (Note 8)	20,000	10,000	94,340
Accounts payable – other	37,862	29,892	282,000
Income taxes payable	9,781	8,739	82,443
Deferred tax liabilities (Note 20)	517	1,766	16,660
Advances received	39,748	41,292	389,547
Deposits received from consignment sales	7,533	10,353	97,670
Deposits received	26,029	28,556	269,396
Deposits received for special joint ventures	11,600	17,500	165,094
Provision for bonuses	9,183	9,839	92,821
Provision for directors' bonuses	221	224	2,113
Provision for warranties for completed construction	316	297	2,802
Other provision	1,233	1,674	15,792
Other	15,891	19,468	183,660
Total current liabilities	537,737	396,114	3,736,925
Non-current liabilities			
Bonds payable (Notes 7,8)	120,000	185,825	1,753,066
Long-term loans payable (Notes 7,8)	680,867	835,018	7,877,528
Deferred tax liabilities (Note 20)	30,015	30,901	291,519
Deferred tax liabilities for land revaluation (Note 6)	4,981	4,980	46,981
Long-term lease and guarantee deposited	175,218	179,963	1,697,764
Deposits received for special joint ventures	17,500	14,000	132,075
Net defined benefit liability (Note 19)	29,062	29,646	279,679
Provision for loss on guarantees	11	17	160
Provision for directors' retirement benefits	71	67	632
Other (Note 7)	25,379	24,881	234,726
Total non-current liabilities	1,083,106	1,305,301	12,314,160
Total liabilities	1,620,844	1,701,415	16,051,085
Net assets			
Shareholders' equity (Note 22)			
Capital stock	60,000	60,000	566,038
Capital surplus	118,704	119,188	1,124,415
Retained earnings	243,131	270,095	2,548,066
Treasury shares	(1,790)	(2,197)	(20,726)
Total shareholders' equity	420,045	447,087	4,217,802
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	15,792	13,796	130,151
Deferred gains or losses on hedges (Note 18)	—	(169)	(1,594)
Revaluation reserve for land (Note 6)	8,069	8,067	76,104
Foreign currency translation adjustment	1,089	1,319	12,443
Remeasurements of defined benefit plans (Note 19)	(2,675)	(1,959)	(18,481)
Total accumulated other comprehensive income	22,275	21,053	198,613
Non-controlling interests	3,987	7,204	67,962
Total net assets	446,307	475,345	4,484,387
<b>Total liabilities and net assets</b>	<b>¥2,067,152</b>	<b>¥2,176,761</b>	<b>\$20,535,481</b>

See accompanying notes to the consolidated financial statements.

## Consolidated Statement of Income

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands) (Note 2)
	2017 (From April 1, 2016 to March 31, 2017)	2018 (From April 1, 2017 to March 31, 2018)	2018 (From April 1, 2017 to March 31, 2018)
Operating revenue	¥808,503	¥866,126	\$8,171,000
Operating cost (Note 11)	635,495	683,650	6,449,528
Operating gross profit	173,008	182,476	1,721,472
Selling, general and administrative expenses	99,781	104,956	990,151
Operating profit	73,227	77,519	731,311
Non-operating income			
Interest income	94	116	1,094
Dividend income	614	533	5,028
Share of profit of entities accounted for using equity method	—	190	1,792
Other	590	590	5,566
Total non-operating income	1,300	1,430	13,491
Non-operating expenses			
Interest expenses	8,362	7,936	74,868
Foreign exchange losses	912	883	8,330
Other	1,621	1,438	13,566
Total non-operating expenses	10,896	10,258	96,774
Ordinary profit	63,631	68,691	648,028
Extraordinary income			
Gain on sales of non-current assets	128	18	170
Gain on sales of investment securities	82	28	264
Other	—	—	—
Total extraordinary income	211	47	443
Extraordinary losses			
Impairment loss (Note 12)	15,439	8,037	75,821
Other	2,543	1,292	12,189
Total extraordinary losses	17,982	9,329	88,009
Profit before income taxes	45,860	59,409	560,462
Income taxes – current	19,226	17,950	169,340
Income taxes – deferred (Note 20)	(5,341)	6,080	57,358
Total income taxes (Note 20)	13,884	24,031	226,708
Profit	31,975	35,377	333,745
Profit attributable to non-controlling interests	457	192	1,811
Profit attributable to owners of parent	¥ 31,518	¥ 35,185	\$ 331,934

See accompanying notes to the consolidated financial statements.

## Consolidated Statement of Comprehensive Income

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands) (Note 2)
	2017 (From April 1, 2016 to March 31, 2017)	2018 (From April 1, 2017 to March 31, 2018)	2018 (From April 1, 2017 to March 31, 2018)
Profit	¥31,975	¥35,377	\$333,745
Other comprehensive income			
Valuation difference on available-for-sale securities	(920)	(1,996)	(18,830)
Deferred gains or losses on hedges	—	(8)	(75)
Revaluation reserve for land	—	—	—
Foreign currency translation adjustment	442	1,921	18,123
Remeasurements of defined benefit plans, net of tax	688	715	6,745
Share of other comprehensive income of entities accounted for using equity method	(353)	(1,673)	(15,783)
Total other comprehensive income (Note 13)	(141)	(1,040)	(9,811)
Comprehensive income	¥31,833	¥34,337	\$323,934
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥31,385	¥34,126	\$321,943
Comprehensive income attributable to non-controlling interests	448	210	1,981

See accompanying notes to the consolidated financial statements.

# Consolidated Statement of Changes in Net Assets

Tokyu Fudosan Holdings Corporation

2017 (from April 1, 2016 to March 31, 2017)

Account title	Yen (millions)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	¥60,000	¥118,638	¥219,855	¥(1,789)	¥396,704
Changes of items during period					
Dividends of surplus			(7,913)		(7,913)
Profit attributable to owners of parent			31,518		31,518
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		(0)		0	0
Change in ownership interest of parent due to transactions with non-controlling interests		65			65
Reversal of revaluation reserve for land			(327)		(327)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	65	23,276	(1)	23,340
Balance at end of current period	¥60,000	¥118,704	¥243,131	¥(1,790)	¥420,045

Account title	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of current period	¥16,713	¥—	¥7,741	¥ 990	¥(3,364)	¥22,080	¥3,596	¥422,381
Changes of items during period								
Dividends of surplus								(7,913)
Profit attributable to owners of parent								31,518
Purchase of treasury shares								(1)
Disposal of treasury shares								0
Change in ownership interest of parent due to transactions with non-controlling interests								65
Reversal of revaluation reserve for land								(327)
Net changes of items other than shareholders' equity	(920)	—	327	99	688	194	390	585
Total changes of items during period	(920)	—	327	99	688	194	390	23,925
Balance at end of current period	¥15,792	¥—	¥8,069	¥1,089	¥(2,675)	¥22,275	¥3,987	¥446,307

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

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

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



# Consolidated Statement of Changes in Net Assets

Tokyu Fudosan Holdings Corporation

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

Account title	U.S. dollars (thousands) (Note 2)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	\$566,038	\$1,119,849	\$2,293,689	\$(16,887)	\$3,962,689
Changes of items during period					
Dividends of surplus			(77,575)		(77,575)
Profit attributable to owners of parent			331,934		331,934
Purchase of treasury shares				(5,019)	(5,019)
Disposal of treasury shares		4,566		1,189	5,755
Change in ownership interest of parent due to transactions with non-controlling interests					—
Reversal of revaluation reserve for land			19		19
Net changes of items other than shareholders' equity					
Total changes of items during period	—	4,566	254,368	(3,830)	255,113
Balance at end of current period	\$566,038	\$1,124,415	\$2,548,066	\$(20,726)	\$4,217,802

Account title	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of current period	\$148,981	\$ —	\$76,123	\$10,274	\$(25,236)	\$210,142	\$37,613	\$4,210,443
Changes of items during period								
Dividends of surplus								(77,575)
Profit attributable to owners of parent								331,934
Purchase of treasury shares								(5,019)
Disposal of treasury shares								5,755
Change in ownership interest of parent due to transactions with non-controlling interests								—
Reversal of revaluation reserve for land								19
Net changes of items other than shareholders' equity	(18,830)	(1,594)	(19)	2,160	6,745	(11,528)	30,349	18,821
Total changes of items during period	(18,830)	(1,594)	(19)	2,160	6,745	(11,528)	30,349	273,934
Balance at end of current period	\$130,151	\$(1,594)	\$76,104	\$12,443	\$(18,481)	\$198,613	\$67,962	\$4,484,387

# Consolidated Statement of Cash Flows

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands) (Note 2)
	2017 (From April 1, 2016 to March 31, 2017)	2018 (From April 1, 2017 to March 31, 2018)	2018 (From April 1, 2017 to March 31, 2018)
Cash flows from operating activities			
Profit before income taxes	¥ 45,860	¥ 59,409	\$ 560,462
Depreciation	23,529	23,133	218,236
Amortization of goodwill	4,911	5,421	51,142
Share of loss (profit) of entities accounted for using equity method	264	(190)	(1,792)
Increase (decrease) in net defined benefit liability	518	583	5,500
Increase (decrease) in other provision	(112)	657	6,198
Impairment loss	15,439	8,037	75,821
Loss on valuation of inventories	5,036	3,200	30,189
Loss on retirement of non-current assets	1,044	2,716	25,623
Interest and dividend income	(709)	(649)	(6,123)
Interest expenses	8,362	7,936	74,868
Decrease (increase) in notes and accounts receivable – trade	(3,334)	(3,236)	(30,528)
Decrease (increase) in inventories	(25,735)	(70,734)	(667,302)
Increase (decrease) in notes and accounts payable – trade	2,354	(3,798)	(35,830)
Increase (decrease) in deposits received for consignment sales	(2,719)	2,820	26,604
Increase (decrease) in deposits received for special joint ventures	8,600	2,400	22,642
Other, net	12,294	1,015	9,575
Subtotal	95,606	38,723	365,311
Interest and dividend income received	785	504	4,755
Interest expenses paid	(8,337)	(7,741)	(73,028)
Income taxes paid	(19,130)	(19,221)	(181,330)
Net cash provided by (used in) operating activities	¥ 68,925	¥ 12,265	\$ 115,708
Cash flows from investing activities			
Payments of loans receivable	(1,780)	(245)	(2,311)
Collection of loans receivable	50	3,267	30,821
Purchase of short-term and long-term investment securities	(11,985)	(48,847)	(460,821)
Proceeds from sales and redemption of short-term and long-term investment securities	1,100	1,103	10,406
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(18,847)	—	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(601)	—	—
Payments for lease and guarantee deposits	(8,835)	(8,692)	(82,000)
Proceeds from collection of lease and guarantee deposits	3,914	4,424	41,736
Purchase of non-current assets	(53,336)	(47,965)	(452,500)
Proceeds from sales of non-current assets	19,669	44	415
Other, net	(336)	487	4,594
Net cash provided by (used in) investing activities	¥(70,988)	¥(96,423)	\$(909,651)

See accompanying notes to the consolidated financial statements.

# Consolidated Statement of Cash Flows

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands) (Note 2)
	2017 (From April 1, 2016 to March 31, 2017)	2018 (From April 1, 2017 to March 31, 2018)	2018 (From April 1, 2017 to March 31, 2018)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	¥ 32,540	¥ (14,982)	\$ (141,340)
Net increase (decrease) in commercial papers	2,000	(60,000)	(566,038)
Proceeds from long-term loans payable	148,298	255,197	2,407,519
Repayments of long-term loans payable	(192,127)	(155,022)	(1,462,472)
Proceeds from long-term lease and guarantee deposited	29,257	27,752	261,811
Repayments of long-term lease and guarantee deposited	(27,552)	(19,604)	(184,943)
Proceeds from issuance of bonds	60,000	75,825	715,330
Redemption of bonds	(20,000)	(20,000)	(188,679)
Cash dividends paid	(7,913)	(8,223)	(77,575)
Proceeds from share issuance to non-controlling shareholders	467	3,071	28,972
Dividends paid to non-controlling interests	(73)	(211)	(1,991)
Repayments of finance lease obligations	(1,463)	(1,398)	(13,189)
Payments for investments in silent partnership that do not result in change in scope of consolidation	(390)	—	—
Net decrease (increase) in treasury shares	(1)	(2)	(19)
Net cash provided by (used in) financing activities	¥ 23,042	¥ 82,400	\$ 777,358
Effect of exchange rate change on cash and cash equivalents	1,021	1,743	16,443
Net increase (decrease) in cash and cash equivalents	¥ 22,000	¥ (13)	\$ (123)
Cash and cash equivalents at beginning of period	39,864	61,865	583,632
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	(122)	(1,151)
Cash and cash equivalents at end of period (Note 14)	¥ 61,865	¥ 61,729	\$ 582,349

See accompanying notes to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

Tokyu Fudosan Holdings Corporation and Consolidated Subsidiaries

## 1. Summary of Significant Accounting Policies

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

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

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

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

### (b) Consolidation Policy

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

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

There were 131 consolidated subsidiaries as of March 31, 2018. The following companies have become consolidated subsidiaries: Silent Partnerships of Mietoba, Nove Grande, Kushiro Toritoshi, Mobara Hatsudensho, Kurihara Kurikoma, Kyodo Infrastructure Fund, Kitaema, Minami Kyushu Ei, RE Investment 1, Yoshino, Cosmos and GK009 are treated as consolidated subsidiaries following new investments in them. Tokyu Re•design Corporation, Seragaki Hotel Management K.K., TLUS HDB, LLC, TLUS SCC, LLC, TLUS DEXTER, LLC, P.T. Tokyu Property Management Indonesia, TPBD SINGAPORE PTE. LTD., PT. TPB DEVELOPMENT INDONESIA, Miyoshimachi Properties Special Purpose Company and Kashiham Properties Special Purpose Company are treated as consolidated subsidiaries given that they were newly established.

On the other hand, the following companies were excluded from the scope of consolidation due to the following reasons,

respectively: Elle-staff Co., Ltd. is excluded from the scope of consolidation after it ceased to exist following an absorption-type merger with Tokyu Livable Staff Corporation as the surviving company. So are TLC Activia Investment Management Inc. after it ceased to exist following an absorption-type merger with TLC Comforia Investment Management Inc. as the surviving company; Silent Partnerships of Arcadia HT, Kotoru, Comforia Virgo, Phoenix, Cosmos and Times Square due to a decline in the significance resulting from the sale of assets under management; TLC Steadfast LLC, TLC Steadfast Nob Hill LLC and Nob Hill LLC following the application of U.S. accounting standards; and Miyoshimachi Properties Special Purpose Company as a result of the sale of equity.

### (c) Securities

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

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

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

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

### (d) Inventories

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

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

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

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

Most of estimated useful lives are as follows:

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

#### (f) Intangible Assets (except for leased assets)

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

#### (g) Leases

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

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

#### (h) 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) Net Defined Benefit Liability

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

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

#### (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 "Non-controlling 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, 2018.

## 2. Basis of Financial Statements Translation

The accompanying consolidated financial statements presented herein are expressed in Japanese yen, and solely for the convenience of readers, have been translated into United States dollars at the rate of ¥106=U.S. \$1.00, the approximate exchange

rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2018. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars at that rate.

## 3. Investments in Silent Partnerships and Operational Investment Securities

Investments in silent partnerships and TMK holding properties for sale, and operational investment securities included in securities at March 31, 2017 and 2018 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Investments in silent partnership	¥1,219	¥ 4,489	\$ 42,349
Securities	4,078	10,921	103,028

## 4. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in and loans to unconsolidated subsidiaries and affiliates at March 31, 2017 and 2018 consisted of the following:

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Investment securities	¥49,598	¥75,612	\$713,321

## 5. Contingent Liabilities

At March 31, 2017 and 2018 the Company and consolidated subsidiaries have the following contingent liabilities:

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Guarantee of loans on behalf of:			
Individual customers for principally housing loans	¥ 206	¥ 85	\$ 802
Employees for their purchase of residential houses	12	4	38
PT. TTL Residences	214	183	1,726
425 Park Owner LLC	10,411	9,859	93,009
Tokyu Land US Corporation*1	—	—	—
PT. Tokyu Land Indonesia*2	2,940	5,850	55,189
Shiba Daimon TMK	10,000	—	—
Shiba Park TMK	—	10,000	94,340
Mizuho Trust & Banking Co., Ltd.:			
The real-estate trust beneficiary company	—	5,500	51,887
	¥23,785	¥31,483	\$297,009

\*1 Represents the guarantee for borrowings that were made by Tokyu Land US Corporation, which is a consolidated subsidiary and whose closing date is different from the consolidated closing date, which took place between those dates.

\*2 Represents the guarantee for borrowings that were made by PT. Tokyu Land Indonesia, which is a consolidated subsidiary and whose closing date is different from the consolidated closing date, which took place between those dates.

## 6. Revaluation of Land

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

### Method of revaluation

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

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

### Date of revaluation

Tokyu Land Corporation March 31, 2000  
(Revaluation on merger of subsidiaries) March 31, 2001  
IZU KANKOU KAIHATSU January 31, 2001  
The market value of the revalued land was higher than the book value after revaluation at March 31, 2017 and 2018 respectively. As such, the difference is not stated.

## 7. Pledged Assets and Secured Liabilities

Pledged assets and secured liabilities at March 31, 2017 and 2018 are summarized as follows:

### (1) Pledged assets

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Cash and deposits	¥ —	¥ 292	\$ 2,755
Inventories (Real estate for sale)	14,121	18,909	178,387
Buildings and structures	95,194	92,543	873,047
Land	583,485	583,485	5,504,575
Investment securities	164	170	1,604
Long-term loans receivable	223	207	1,953
	¥693,188	¥695,608	\$6,562,340

### (2) Secured liabilities

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Short-term loans payable	¥ 98,808	¥ 24,120	\$ 227,547
Bonds payable	—	5,825	54,953
Long-term loans payable	257,337	337,184	3,180,981
Other non-current liabilities	2,261	2,261	21,330
	¥358,407	¥369,391	\$3,484,821

In addition to the above, Investment securities of ¥889 million and ¥767 million (U.S.\$7,236 thousand) at March 31, 2017 and 2018, respectively were pledged as collateral for guarantee of the real estate agent business.

Tokyu Land Corporation, a subsidiary of the Company, transferred land to another company in which Tokyu Land Corporation has made preferred equity investment and treated

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

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

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Real estate for sale	¥2,261	¥2,261	\$21,330
Other non-current liabilities	¥2,261	¥2,261	\$21,330

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

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Short-term loans payable			
(Current portion of long-term loans payable)	¥ 98,684	¥ 24,034	\$ 226,736
Long-term loans payable	257,251	337,184	3,180,981
Bonds payable	—	5,825	54,953

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

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Cash and deposits	¥ —	¥ 292	\$ 2,755
Real estate for sale	10,680	15,629	147,443
Land	580,658	580,658	5,477,906
Buildings and structures	94,242	91,577	863,934

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

Short-term loans payable at March 31, 2017 and 2018 consist of loans principally from banks with weighted average interest rates of 1.05% in 2018.

Long-term debt at March 31, 2017 and 2018 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
0.700% unsecured corporate bond, maturing 2017	¥ —	¥ —	\$ —
0.810% unsecured corporate bond, maturing 2017	—	—	—
0.630% unsecured corporate bond, maturing 2018	10,000	—	—
0.560% unsecured corporate bond, maturing 2018	10,000	—	—
0.390% unsecured corporate bond, maturing 2019	10,000	10,000	94,340
0.639% unsecured corporate bond, maturing 2021	10,000	10,000	94,340
0.298% unsecured corporate bond, maturing 2020	10,000	10,000	94,340
0.856% unsecured corporate bond, maturing 2025	10,000	10,000	94,340
0.968% unsecured corporate bond, maturing 2026	10,000	10,000	94,340
0.371% unsecured corporate bond, maturing 2021	10,000	10,000	94,340
0.190% unsecured corporate bond, maturing 2022	10,000	10,000	94,340
0.780% unsecured corporate bond, maturing 2032	10,000	10,000	94,340
0.800% unsecured corporate bond, maturing 2032	10,000	10,000	94,340
0.180% unsecured corporate bond, maturing 2022	10,000	10,000	94,340
0.001% unsecured corporate bond, maturing 2020	10,000	10,000	94,340
0.455% unsecured corporate bond, maturing 2027	10,000	10,000	94,340
0.160% unsecured corporate bond, maturing 2023	—	10,000	94,340
0.790% unsecured corporate bond, maturing 2024	—	10,000	94,340
0.410% unsecured corporate bond, maturing 2028	—	10,000	94,340
0.170% unsecured corporate bond, maturing 2023	—	10,000	94,340
0.780% unsecured corporate bond, maturing 2033	—	10,000	94,340
0.390% unsecured corporate bond, maturing 2028	—	10,000	94,340
0.980% unsecured corporate bond, maturing 2038	—	10,000	94,340
Loans principally from Japanese banks and insurance companies (including loans in foreign currencies), maturing 2019 to 2038 with weighted average interest rates of 0.63% in 2018.			
Secured	358,407	369,391	3,484,821
Unsecured	485,348	572,788	5,403,660
	983,755	1,132,179	10,680,934
Less current portion	(182,887)	(111,335)	(1,050,330)
	¥ 800,867	¥1,020,843	\$ 9,630,594

The aggregate annual maturity of long-term debt after March 31, 2019 are as follows:

Year ending March 31,	Yen (millions)	U.S. dollars (thousands)
2020	¥ 101,936	\$ 961,660
2021	111,152	1,048,604
2022	88,027	830,443
2023	171,393	1,616,915
2024 and thereafter	548,334	5,172,962
	¥1,020,843	\$9,630,594

## 9. Commitment Lines

The Company and certain consolidated subsidiaries entered into contracts for overdraft with 29 banks at March 31, 2017 and 2018 and commitment lines with 4 banks at March 31, 2017 and 2018, respectively. These contracts at March 31, 2017 and 2018 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Limit of overdraft	¥259,119	¥259,019	\$2,443,575
Line of credit	54,000	54,000	509,434
Borrowing outstanding	(65,097)	(44,297)	(417,896)
Available commitment lines	¥248,022	¥268,722	\$2,535,113

## 10. Change in Purpose of Possession

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

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
From property, plant and equipment to real estate for sale	¥40,826	¥7,353	\$69,368
From intangible assets to real estate for sale	—	861	8,123
From investment securities to securities	729	—	—

## 11. Loss on Valuation of Inventories

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

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Loss on valuation of inventories	¥5,036	¥3,200	\$30,189



## 12. Impairment Loss on Fixed Assets

2017

For the year ended March 31, 2017, the Company recognized impairment loss on fixed assets in the following asset groups:

Primary use	Type	Location	Impairment loss Yen (millions)
Leased assets	Land	Shibuya-ku, Tokyo	¥15,133
Others (9 assets)	Land, buildings and structures, other fixed assets	Other area	¥ 305

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 10 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 ¥15,439 million.

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.

2018

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

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

To determine impairment losses, assets are divided into groups that are minimal units that generate cash flows independently of other assets and asset groups. Consequently, the Group wrote down the carrying amounts of 28 asset groups to their recoverable values. These asset groups were those where sales or retirement were planned, and those where losses were recorded from operating activities for consecutive years. The amounts written down were recorded as impairment loss ¥8,037 million (\$75,821 thousand).

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

## 13. Other Comprehensive Income

The following table presents components of other comprehensive income for the years ended March 31, 2017 and 2018:

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

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥(1,319)	¥(2,877)	\$(27,142)
Reclassification to income for the year	(6)	(3)	(28)
Total valuation difference on available-for-sale securities	¥(1,326)	¥(2,880)	\$(27,170)
Deferred gains or losses on hedges:			
Amount arising during the year	¥ —	¥ (11)	\$ (104)
Reclassification to income for the year	—	—	—
Total deferred gains or losses on hedges	¥ —	¥ (11)	\$ (104)
Foreign currency translation adjustment:			
Amount arising during the year	¥ 442	¥ 1,921	\$ 18,123
Reclassification to income for the year	—	—	—
Total foreign currency translation adjustment	¥ 442	¥ 1,921	\$ 18,123
Remeasurements of defined benefits:			
Amount arising during the year	¥ (265)	¥ (229)	\$ (2,160)
Reclassification to income for the year	1,194	1,204	11,358
Total remeasurements of defined benefits	¥ 928	¥ 974	\$ 9,189
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	¥ (353)	¥(1,673)	\$(15,783)
Reclassification to income for the year	—	—	—
Total share of other comprehensive income of entities accounted for using equity method	¥ (353)	¥(1,673)	\$(15,783)
Amount before tax effect	¥ (308)	¥(1,669)	\$(15,745)
Tax effect	166	629	5,934
Total accumulated other comprehensive income	¥ (141)	¥(1,040)	\$ (9,811)



## (2) Tax effect of other comprehensive income

	Yen (millions)		
	2017		
	Before tax effect	Tax effect	After tax effect
Valuation difference on available-for-sale securities	¥(1,326)	¥ 406	¥(920)
Foreign currency translation adjustment	442	—	442
Remeasurements of defined benefits	928	(240)	688
Share of other comprehensive income of entities accounted for using equity method	(353)	—	(353)
Total accumulated other comprehensive income	¥ (308)	¥ 166	¥(141)

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

	U.S. dollars (thousands)		
	2018		
	Before tax effect	Tax effect	After tax effect
Valuation difference on available-for-sale securities	\$(27,170)	\$ 8,340	\$(18,830)
Deferred gains or losses on hedges	(104)	28	(75)
Foreign currency translation adjustment	18,123	—	18,123
Remeasurements of defined benefits	9,189	(2,434)	6,745
Share of other comprehensive income of entities accounted for using equity method	(15,783)	—	(15,783)
Total accumulated other comprehensive income	\$(15,745)	\$ 5,934	\$ (9,811)

## 14. Supplementary Cash Flow Information

For the purpose of the statement of cash flows, the Company considers all highly liquid investments with little risk of changes in value that have maturities of generally three months or less when purchased to be cash equivalents. The components of cash and cash equivalents at March 31, 2017 and 2018 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Cash and deposits	¥62,885	¥62,785	\$592,311
Time deposits with maturity over three months	(1,019)	(1,085)	(10,236)
Short-term loans receivable	—	30	283
Cash and cash equivalents	¥61,865	¥61,729	\$582,349

The details of significant non-cash transactions

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
The amount transferred from property, plant and equipment to real estate for sale due to change in purpose of holding the real estate	¥40,826	¥8,214	\$77,491
The amount transferred from investment security due to security change in purpose of holding the real estate	729	—	—

## 15. Information Regarding Certain Leases

## (Finance Lease Transactions as Lessee)

Finance leases, which commenced on or before March 31, 2008, other than those in which the ownership of the leased assets is to be transferred to the lessees at the end of the lease term, are accounted for using the same method as that of operating leases. Additional information on these finance leases as of and for the years ended March 31, 2017 and 2018 are as follows:

(1) Acquisition cost, accumulated depreciation, accumulated impairment loss, and carrying amount of leased properties (mainly office equipment) at March 31, 2017 and 2018 if they were capitalized

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Acquisition cost	¥7,248	¥7,174	\$67,679
Accumulated depreciation	3,516	3,804	35,887
Carrying amount	¥3,732	¥3,369	\$31,783

(2) Future lease payments at March 31, 2017 and 2018

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Due within one year	¥ 596	¥ 590	\$ 5,566
Due after one year	5,528	4,937	46,575
Total	¥6,124	¥5,528	\$52,151

(3) Amount of lease payments, reversal of impairment loss account on leased assets, depreciation expense equivalent, and interest expenses equivalent thereof at March 31, 2017 and 2018

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Lease payments	¥602	¥596	\$5,623
Reversal of impairment loss account on leased assets	—	—	—
Depreciation expense	294	362	3,415
Interest expenses	206	242	2,283

#### (Operating Lease Transactions as Lessee)

Future lease payments of non-cancellable leases at March 31, 2017 and 2018 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Due within one year	¥ 19,520	¥ 23,021	\$ 217,179
Due after one year	184,541	337,849	3,187,255
Total	¥204,061	¥360,870	\$3,404,434

#### (Operating Lease Transactions as Lessor)

Future lease payments of non-cancellable leases to be received at March 31, 2017 and 2018 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Due within one year	¥ 28,707	¥ 30,702	\$ 289,642
Due after one year	177,558	100,349	946,689
Total	¥206,265	¥131,052	\$1,236,340

## 16. Financial Instruments

Financial instruments at March 31, 2017 and 2018 are summarized as follows:

### Overview

#### (1) Policy for financial instruments

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

#### (2) Types of financial instruments and related risk

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

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

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

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

#### (3) Risk management for financial instruments

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

Each operating department monitors the status of major counterparties and manages the due dates and balances of lease and guarantee deposits made by each counterparty.

The Group seeks to identify at an early stage any collectability issues due to financial difficulties of counterparties to mitigate credit risk.

(b) Monitoring of market risks

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

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

(c) Monitoring of liquidity risk

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

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

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

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

### Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2018 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2).

	Yen (millions)		
	Book value	Estimated fair value	Difference
(1) Cash and deposits	¥ 62,785	¥ 62,785	¥ —
(2) Securities and investment securities			
Held-to-maturity securities	711	716	5
Available-for-sale securities	58,498	58,498	—
Total assets	¥ 121,995	¥ 122,000	¥ 5
(1) Short-term loans payable	¥ 78,197	¥ 78,197	¥ —
(2) Bonds payable	195,825	196,022	197
(3) Long-term loans payable	936,354	935,306	¥(1,047)
Total liabilities	¥1,210,376	¥1,209,526	(850)
Derivatives			
Derivatives to which hedge accounting is not applied	¥ 185	¥ 185	¥ —
Derivatives to which hedge accounting is applied	(244)	(244)	—

	U.S. dollars (thousands)		
	Book value	Estimated fair value	Difference
(1) Cash and deposits	\$ 592,311	\$ 592,311	\$ —
(2) Securities and investment securities			
Held-to-maturity securities	6,708	6,755	47
Available-for-sale securities	551,868	551,868	—
Total assets	\$ 1,150,896	\$ 1,150,943	\$ 47
(1) Short-term loans payable	\$ 737,708	\$ 737,708	\$ —
(2) Bonds payable	1,847,406	1,849,264	1,858
(3) Long-term loans payable	8,833,528	8,823,642	(9,877)
Total liabilities	\$11,418,642	\$11,410,623	\$(8,019)
Derivatives			
Derivatives to which hedge accounting is not applied	\$ 1,745	\$ 1,745	\$ —
Derivatives to which hedge accounting is applied	(2,302)	(2,302)	—

## Notes:

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

## Assets

## Cash and deposits

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

## Securities and Investment securities

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

## Liabilities

## Short-term loans payable and Commercial papers

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

## Bonds payable (Including current portion of bonds)

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

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

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

## Derivatives

Please see Note 18. 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)
Operational investment securities	¥ 3,149	\$ 29,708
Unlisted stocks – current	7,772	73,321
Unlisted stocks – non-current	100,372	946,906
Investments in silent partnerships – current	4,489	42,349
Investments in silent partnerships – non-current	700	6,604

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	¥ 72,829	\$ 687,066
Long-term lease and guarantee deposited	179,963	1,697,764

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, 2018.

	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	¥62,785	¥ —	¥—	¥—
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	419	291	—	—
(2) Corporate bonds	—	—	—	—
Available-for-sale securities with maturities				
(1) National and local government bonds	10	36	—	—
(2) Corporate bonds	—	—	—	—
Total	¥63,214	¥327	¥—	¥—

	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	\$592,311	\$ —	\$—	\$—
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	3,953	2,745	—	—
(2) Corporate bonds	—	—	—	—
Available-for-sale securities with maturities				
(1) National and local government bonds	94	340	—	—
(2) Corporate bonds	—	—	—	—
Total	\$596,358	\$3,085	\$—	\$—

## 17. Securities

Securities held by the Company as of March 31, 2017 and 2018 are summarized as follows:

## (1) Held-to-maturity securities

	Yen (millions)		
	2017		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
National and local government bonds	¥848	¥858	¥10
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	848	858	10
Securities whose fair value does not exceed book value:			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	—	—	—
Total	¥848	¥858	¥10

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

	U.S. dollars (thousands)		
	2018		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
National and local government bonds	\$6,708	\$6,755	\$47
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	6,708	6,755	47
Securities whose fair value does not exceed book value:			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	—	—	—
Total	\$6,708	\$6,755	\$47

## (2) Available-for-sale securities

	Yen (millions)		
	2017		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥60,540	¥37,630	¥22,910
National and local government bonds	46	45	0
Other	—	—	—
Subtotal	60,587	37,676	22,910
Securities whose book value does not exceed acquisition cost:			
Stocks	8	9	(0)
National and local government bonds	—	—	—
Other	—	—	—
Subtotal	8	9	(0)
Total	¥60,595	¥37,685	¥22,910

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

	U.S. dollars (thousands)		
	2018		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	\$550,708	\$361,783	\$188,925
National and local government bonds	434	425	0
Other	—	—	—
Subtotal	551,142	362,217	188,925
Securities whose book value does not exceed acquisition cost:			
Stocks	726	764	(38)
National and local government bonds	—	—	—
Other	—	—	—
Subtotal	726	764	(38)
Total	\$551,868	\$362,981	\$188,887

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

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Available-for-sale securities			
Operational investment securities	¥1,783	¥ 3,149	\$ 29,708
Unlisted stocks, etc.	9,478	32,532	306,906
Investments in silent partnerships	¥2,411	¥ 5,190	\$ 48,962

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

## (3) Sales of available-for-sale securities

Sales of available-for-sale securities and corresponding aggregate gains and aggregate losses for the years ended March 31, 2017 and 2018:

2017 Type	Yen (millions)		
	Sales amount	Aggregate gains	Aggregate losses
Stocks	¥216	¥82	¥—
National and local government bonds	—	—	—
Other	—	—	—
Total	¥216	¥82	¥—

## 2018

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

## 2018

Type	U.S. dollars (thousands)		
	Sales amount	Aggregate gains	Aggregate losses
Stocks	\$585	\$264	\$19
National and local government bonds	—	—	—
Other	—	—	—
Total	\$585	\$264	\$19

## (4) Loss on valuation of securities

Loss on valuation of securities for the years ended March 31, 2017 and 2018:

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Loss on valuation of investment securities (Note)	¥431	¥10	\$94

Note: Securities which market value is very difficult to determine

## 18. Derivatives

Contract /notional amount and the estimated fair value of the derivative instruments as of March 31, 2017 and 2018 are summarized as follows:

### (1) Derivatives to which hedge accounting is not applied

#### Currency-related transactions

2017	Type of derivatives	Yen (millions)			
		Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain (loss)
Non-market transaction	NDF To sell foreign currency; Indonesian rupiah	¥7,476	¥—	¥(561)	¥(561)
Non-market transaction	Interest rate cap transactions	9,144	—	—	—

2018	Type of derivatives	Yen (millions)			
		Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain (loss)
Non-market transaction	NDF To sell foreign currency; Indonesian rupiah	¥11,934	¥2,340	¥185	¥185
Non-market transaction	Interest rate cap transactions	—	—	—	—

2018	Type of derivatives	U.S. dollars (thousands)			
		Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain (loss)
Non-market transaction	NDF To sell foreign currency; Indonesian rupiah	\$112,585	\$22,075	\$1,745	\$1,745
Non-market transaction	Interest rate cap transactions	—	—	—	—

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

### (2) Derivatives to which hedge accounting is applied

#### Currency-related transactions

2018	Hedge accounting method	Type of derivatives	Major hedged items	Yen (millions)		
				Contract/ notional amount	Amount due after one year	Fair value
Deferred treatment on hedge		Forward exchange contract				
		Buy:				
		U.S. dollars	Scheduled transactions in foreign currency	¥1,050	¥ 61	¥(8)
		Euro		3,457	202	(2)

2018	Hedge accounting method	Type of derivatives	Major hedged items	U.S. dollars (thousands)		
				Contract/ notional amount	Amount due after one year	Fair value
Deferred treatment on hedge		Forward exchange contract				
		Buy:				
		U.S. dollars	Scheduled transactions in foreign currency	\$ 9,906	\$ 575	\$(75)
		Euro		32,613	1,906	(19)

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

Currency-related transactions of derivatives to which hedge accounting is applied for the year ended March 31, 2017: Not applicable.

### Interest rate-related transactions

2017	Hedge accounting method	Type of derivatives	Major hedged items	Yen (millions)		
				Contract/ notional amount	Amount due after one year	Fair value
Special treatment for interest rate swaps		Interest rate swaps Receive/floating Pay/fixed	Long-term debt	¥341,033	¥300,511	(Note 1)

2018	Hedge accounting method	Type of derivatives	Major hedged items	Yen (millions)		
				Contract/ notional amount	Amount due after one year	Fair value
Deferred treatment on hedge		Interest rate swaps	Long-term debt	¥ 4,762	¥ 4,613	¥ (232)
Special treatment for interest rate swaps		Receive/floating Pay/fixed		300,511	257,614	(Note 1)

2018	Hedge accounting method	Type of derivatives	Major hedged items	U.S. dollars (thousands)		
				Contract/ notional amount	Amount due after one year	Fair value
Deferred treatment on hedge		Interest rate swaps	Long-term debt	\$ 44,925	\$ 43,519	\$ (2,189)
Special treatment for interest rate swaps		Receive/floating Pay/fixed		2,835,009	2,430,321	(Note 1)

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

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

## 19. Employees' Retirement and Severance Benefits

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

The Company and certain consolidated subsidiaries have

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, net defined benefit liability and retirement benefit cost are calculated using the simplified method.

### Defined benefit plan

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

##### 1. Principle method

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Retirement benefit obligations at beginning of year	¥32,708	¥34,059	\$321,311
Service cost	2,065	2,124	20,038
Interest cost	224	229	2,160
Actuarial loss	335	96	906
Retirement benefits paid	(1,847)	(1,806)	(17,038)
Increase due to new consolidation	237	—	—
The amount of transfer in association with changing from the simplified method to the principle method	357	41	387
Prior service cost that occurred in the fiscal year under review	(22)	226	2,132
Retirement benefit obligations at end of year	¥34,059	¥34,971	\$329,915

##### 2. Simplified method

Retirement benefit obligations at beginning of year	¥ 1,679	¥ 1,205	\$ 11,368
Retirement benefit cost	127	103	972
Retirement benefits paid	(213)	(155)	(1,462)
The amount of transfer in association with changing from the simplified method to the principle method	(454)	(30)	(283)
Contributions to the system	20	—	—
Increase due to new consolidation	46	—	—
Retirement benefit obligations at end of year	¥ 1,205	¥ 1,122	\$ 10,585

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

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Pension assets at beginning of year	¥6,557	¥6,846	\$64,585
Expected return on plan assets	201	210	1,981
Actuarial loss	47	93	877
Contributions from employer	332	667	6,292
Retirement benefits paid	(506)	(549)	(5,179)
Increase due to new consolidation	213	—	—
Pension assets at end of year	¥6,846	¥7,269	\$68,575

#### III. Table of reconciliation of retirement benefit obligations and pension assets as of March 31, 2017 and 2018 and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Retirement benefit obligations under the savings-type plan	¥ 7,407	¥ 9,651	\$ 91,047
Plan assets at fair value	(6,846)	(7,269)	(68,575)
	560	2,381	22,462
Retirement benefit obligations under the non-savings-type plan	27,857	26,442	249,453
Net amount of liability and asset recorded in the consolidated balance sheet	¥28,418	¥28,824	\$271,925
Net defined benefit liability	¥29,062	¥29,646	\$279,679
Net defined benefit asset	(644)	(821)	(7,745)
Net amount of liability and asset recorded in the consolidated balance sheet	¥28,418	¥28,824	\$271,925

#### IV. Components of retirement benefit cost for the years ended March 31, 2017 and 2018

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Service cost	¥2,065	¥2,124	\$20,038
Interest cost	224	229	2,160
Expected return on plan assets	(201)	(210)	(1,981)
Amount expensed associated with the change from the simplified method to the principle method	(96)	10	94
Amortization of actuarial loss	1,156	1,149	10,840
Amortization of prior service cost	37	54	509
Retirement benefit cost calculated using the simplified method	127	103	972
Retirement benefit cost for the defined benefit plan	¥3,312	¥3,460	\$32,642

#### V. Remeasurements of defined benefit plans, net of tax

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Prior service cost	¥ (59)	¥ 172	\$ 1,623
Actuarial loss	(868)	(1,146)	(10,811)
Total	¥(928)	¥ (974)	\$ (9,189)



## VI. Remeasurements of retirement benefit plans

The following items are recorded under remeasurements of retirement benefit plans (before deduction of tax effects) for the years ended March 31, 2017 and 2018.

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Unrecognized prior service cost	¥ (108)	¥ (280)	\$ (2,642)
Unrecognized actuarial loss	(3,266)	(2,119)	(19,991)
Total	¥(3,374)	¥(2,400)	\$(22,642)

## VII. Pension assets

1. The ratios by major category of the total pension assets as of March 31, 2017 and 2018 are set forth below.

	2017	2018
Bonds	35%	37%
Stocks	20%	18%
General account	28%	28%
Others	17%	17%
Total	100%	100%

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

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

## VIII. Matters regarding assumptions for actuarial calculations

Major assumptions for actuarial calculations as of March 31, 2017 and 2018

	2017	2018
Discount rate	0.00% - 1.10%	0.03% - 1.58%
Long-term expected rate of return on pension assets	0.75% - 3.20%	0.75% - 3.20%
Expected rate of salary increase	1.22% - 7.47%	1.80% - 7.50%

## Defined contribution plan

The amounts required to be contributed to the defined contribution plan are ¥1,348 million and ¥1,377 million (\$12,991 thousand) for the years ended March 31, 2017 and 2018.

## 20. Income Taxes

Significant components of deferred tax assets and deferred tax liabilities at March 31, 2017 and 2018 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Deferred tax assets:			
Valuation loss on inventories	¥ 628	¥ 1,039	\$ 9,802
Valuation loss on securities	2,364	2,420	22,830
Amortization of intangible assets	3,162	3,739	35,274
Allowance for doubtful accounts	122	129	1,217
Accrued expenses	155	164	1,547
Accrued bonuses to employees	3,618	3,874	36,547
Net defined benefit liability	8,171	8,410	79,340
Net operating loss carry forwards	2,721	5,018	47,340
Unrealized inter-company profits	427	481	4,538
Impairment losses on fixed assets	7,000	3,659	34,519
Loss of investments in silent partnerships	9	5	47
Undistributed loss from consolidated subsidiaries	452	300	2,830
Accrued enterprise tax/business office tax	874	869	8,198
Revaluation of assets for merger	7	7	66
Asset retirement obligations	1,507	1,460	13,774
Asset adjustment account	6,581	5,017	47,330
Other	6,170	4,711	44,443
Gross deferred tax assets	43,977	41,310	389,717
Less: valuation allowance	(9,040)	(12,906)	(121,755)
Total deferred tax assets	¥34,937	¥ 28,403	\$ 267,953
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ 6,937	¥ 6,057	\$ 57,142
Allowance for doubtful accounts	3	—	—
Valuation difference on consolidated subsidiaries	26,993	28,300	266,981
Reserve for advanced depreciation of non-current assets	2,960	2,793	26,349
Loss on approval for exchange of land rights	115	24	226
Property, plant and equipment corresponding to asset retirement obligations	887	839	7,915
Other	2,049	2,095	19,764
Total deferred tax liabilities	¥39,947	¥ 40,111	\$ 378,406
Net deferred tax assets (liabilities)	¥ (5,010)	¥(11,707)	\$(110,443)

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Deferred tax assets – current	¥ 12,474	¥ 8,712	\$ 82,189
Deferred tax assets – non-current	13,047	12,247	115,538
Deferred tax liabilities – current	(517)	(1,766)	(16,660)
Deferred tax liabilities – non-current	(30,015)	(30,901)	(291,519)
	¥ (5,010)	¥(11,707)	\$(110,443)

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

	2017	2018
Statutory tax rate (Adjustments)	*Note	<b>30.9%</b>
Items not included in tax deductions permanently, such as entertainment expenses		<b>0.7%</b>
Items not included in taxable income permanently, such as dividend income		<b>(0.1)%</b>
Inhabitant tax on a per capita basis		<b>0.6%</b>
Increase/decrease in the amount of valuation reserve		<b>6.7%</b>
Amortization of goodwill		<b>2.8%</b>
Tax credit for wage increases and productivity improvement and tax incentives to promote capital expenditure on productivity-enhancing equipment		<b>(1.4)%</b>
Equity in earnings of entities accounted for by the equity method		<b>(0.1)%</b>
Exclusion from tax deductions directors' bonuses		<b>0.1%</b>
Others		<b>0.3%</b>
Effective tax rate		<b>40.5%</b>

\*Note: Since the difference between the statutory tax rate and the effective tax rate is less than five hundredths of the statutory tax rate, the note is omitted.

## 21. Investment and Rental Properties

The Company and certain consolidated subsidiaries own office buildings for lease in Tokyo and other areas. The carrying value in the consolidated balance sheet and corresponding fair value of those properties at March 31, 2017 and 2018 are as follows:

2017

Yen (millions)			
Carrying value		Fair value	
As of April 1, 2016	Net change	As of March 31, 2017	As of March 31, 2017
¥866,918	¥(69,429)	¥797,488	¥928,504

2018

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

2018

U.S. dollars (thousands)			
Carrying value		Fair value	
As of April 1, 2017	Net change	As of March 31, 2018	As of March 31, 2018
<b>\$7,523,472</b>	<b>\$(57,613)</b>	<b>\$7,465,858</b>	<b>\$8,840,377</b>

Notes: 1. The carrying value represents the acquisition cost less accumulated depreciation and cumulative impairment loss.

2. Of the changes during the fiscal year under review,

The increase during the year ended March 31, 2018 is mainly attributable to the acquisition of properties of ¥2,773 million (\$ 25,783 thousand). The increase during the year ended March 31, 2017 were mainly attributable to the acquisition of properties of ¥1,057 million.

The decrease during the year ended March 31, 2017 were mainly due to the sales of properties of ¥19,216 million, and transfers to real estate for sale of ¥30,441 million, respectively.

3. Fair value is estimated by internal appraisers in accordance with appraisal standards issued by the Japanese Association of Real Estate Appraisers.

4. Determining the fair value of properties in the planning stage (consolidated balance sheet amount of ¥127,353 million and ¥137,364 million (\$1,295,887 thousand) as of March 31, 2017 and 2018) is extremely difficult, since they are in the early stages of development. For this reason, they are not included in the table above.

## 22. Per Share Information

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

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

	Yen		U.S. dollars
	2017	2018	2018
Net asset per share of common stock as of March 31	¥726.59	<b>¥768.85</b>	<b>\$7.25</b>
Net income per share of common stock for the year ended March 31	51.77	<b>57.80</b>	<b>0.55</b>

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

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
For the year ended March 31			
Profit attributable to owners of parent	¥ 31,518	<b>¥ 35,185</b>	<b>\$331,934</b>
Profit attributable to owners of parent of common stock	¥ 31,518	<b>¥ 35,185</b>	<b>\$331,934</b>
Weighted average number of shares of common stock (thousands)	608,766	<b>608,772</b>	

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

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
As of March 31			
Total net assets	¥446,307	<b>¥475,345</b>	<b>\$4,484,387</b>
Amount deducted from total net assets	3,987	<b>7,204</b>	<b>67,962</b>
Non-controlling interests	(3,987)	<b>(7,204)</b>	<b>(67,962)</b>
Net assets of common stock at March 31	¥442,320	<b>¥468,140</b>	<b>\$4,416,415</b>
Number of shares of common stock at March 31 (thousands)	608,764	<b>608,883</b>	

## 23. Shareholders' Equity

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

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

## 24. Segment Information

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

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

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

Information by geographic areas is omitted as overseas sales of the Company for the year ended March 31, 2018 and 2017 are less than 10 percent of consolidated revenue.

# Independent Auditor's Report

Summarized information by business segment for the years ended March 31, 2018 and 2017 are as follows:

	Yen (millions)								
Year ended March 31, 2017	Urban Development	Residential	Property Management	Real-Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/ Headquarters	Consolidated
Revenues:									
Third party customers	¥ 246,822	¥108,494	¥139,658	¥80,192	¥ 93,841	¥96,575	¥42,919	¥ —	¥ 808,503
Inter-segment	2,198	54	8,976	1,876	574	592	6,674	(20,947)	—
Total	¥ 249,021	¥108,548	¥148,634	¥82,069	¥ 94,416	¥97,167	¥49,593	¥(20,947)	¥ 808,503
Operating profit/loss	44,854	9,663	8,079	11,292	7,577	253	(1,909)	(6,584)	73,227
Total assets	¥1,395,640	¥168,482	¥ 91,028	¥66,408	¥251,158	¥39,302	¥94,607	¥(39,476)	¥2,067,152
Depreciation expenses	11,902	354	1,120	1,194	7,064	1,512	103	278	23,529
Amortization of goodwill	512	—	1,922	—	(13)	—	1	2,488	4,911
Investment in entities accounted for using equity method	—	—	—	55	—	—	47,936	626	48,618
Capital expenditures	36,332	1,191	1,895	1,215	17,821	1,420	832	750	61,459

	Yen (millions)								
Year ended March 31, 2018	Urban Development	Residential	Property Management	Real-Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/ Headquarters	Consolidated
Revenues:									
Third party customers	¥ 266,875	¥123,490	¥150,416	¥96,305	¥ 96,315	¥96,378	¥ 36,346	¥ —	¥ 866,126
Inter-segment	2,902	48	10,532	3,044	704	736	5,343	(23,311)	—
Total	¥ 269,777	¥123,538	¥160,948	¥99,349	¥ 97,019	¥97,114	¥ 41,689	¥(23,311)	¥ 866,126
Operating profit/loss	50,745	7,595	8,212	13,238	5,823	413	(2,220)	(6,288)	77,519
Total assets	¥1,427,090	¥211,898	¥ 92,559	¥75,358	¥258,878	¥38,700	¥117,627	¥(45,353)	¥2,176,761
Depreciation expenses	10,928	503	1,136	1,212	7,413	1,460	92	386	23,133
Amortization of goodwill	1,008	—	1,922	—	0	—	1	2,488	5,421
Investment in entities accounted for using equity method	—	—	—	89	—	—	72,613	707	73,410
Capital expenditures	21,811	1,102	2,081	1,838	17,001	1,273	1,001	1,222	47,331

	U.S. dollars (thousands)								
Year ended March 31, 2018	Urban Development	Residential	Property Management	Real-Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/ Headquarters	Consolidated
Revenues:									
Third party customers	\$ 2,517,689	\$1,165,000	\$1,419,019	\$908,538	\$ 908,632	\$909,226	\$ 342,887	\$ —	\$ 8,171,000
Inter-segment	27,377	453	99,358	28,717	6,642	6,943	50,406	(219,915)	—
Total	\$ 2,545,066	\$1,165,453	\$1,518,377	\$937,255	\$ 915,274	\$916,170	\$ 393,292	\$(219,915)	\$ 8,171,000
Operating profit/loss	478,726	71,651	77,472	124,887	54,934	3,896	(20,943)	(59,321)	731,311
Total assets	\$13,463,113	\$1,999,038	\$ 873,198	\$710,925	\$2,442,245	\$365,094	\$1,109,689	\$(427,858)	\$20,535,481
Depreciation expenses	103,094	4,745	10,717	11,434	69,934	13,774	868	3,642	218,236
Amortization of goodwill	9,509	—	18,132	—	0	—	9	23,472	51,142
Investment in entities accounted for using equity method	—	—	—	840	—	—	685,028	6,670	692,547
Capital expenditures	205,764	10,396	19,632	17,340	160,387	12,009	9,443	11,528	446,519



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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, 2018, 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, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### Convenience Translation

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

*Ernst & Young ShinNihon LLC*

June 15, 2018  
Tokyo, Japan

A member firm of Ernst & Young Global Limited