

Consolidated Balance Sheets

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands) (Note 3)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Assets			
Current assets			
Cash and deposits	¥ 40,230	¥ 62,885	\$ 561,473
Notes and accounts receivable-trade	24,217	27,391	244,563
Securities (Note 4,11)	1,272	5,403	48,241
Merchandise	11,620	12,023	107,348
Real estate for sale (Note 8,11)	199,285	213,239	1,903,920
Real estate for sale in process	159,337	199,431	1,780,634
Costs on uncompleted construction contracts	5,751	5,948	53,107
Supplies	823	779	6,955
Deferred tax assets (Note 21)	9,818	12,474	111,375
Other	39,752	48,591	433,848
Allowance for doubtful accounts	(165)	(143)	(1,277)
Total current assets	491,942	588,025	5,250,223
Non-current assets			
Property, plant and equipment			
Buildings and structures	398,216	394,607	3,523,277
Accumulated depreciation	(159,028)	(169,750)	(1,515,625)
Buildings and structures, net (Note 8)	239,187	224,857	2,007,652
Land (Note 7,8)	857,528	815,232	7,278,857
Construction in progress	56,887	77,129	688,652
Other	58,961	62,025	553,795
Accumulated depreciation	(35,588)	(38,465)	(343,438)
Other, net	23,373	23,560	210,357
Total property, plant and equipment (Note 11)	1,176,976	1,140,779	10,185,527
Intangible assets			
Leasehold right	16,796	9,567	85,420
Goodwill	75,873	87,975	785,491
Other	13,933	13,772	122,964
Total intangible assets	106,603	111,315	993,884
Investments and other assets			
Investment securities (Note 5, 8, 11)	110,757	119,314	1,065,304
Long-term loans receivable (Note 8)	2,211	3,547	31,670
Lease and guarantee deposits	63,405	68,664	613,071
Net defined benefit asset (Note 20)	642	644	5,750
Deferred tax assets (Note 21)	6,489	13,047	116,491
Other	26,230	22,515	201,027
Allowance for doubtful accounts	(877)	(701)	(6,259)
Total investments and other assets	208,858	227,032	2,027,071
Total non-current assets	1,492,439	1,479,126	13,206,482
Total assets	¥1,984,382	¥2,067,152	\$18,456,714

Account title	Yen (millions)		U.S. dollars (thousands) (Note 3)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Liabilities			
Current liabilities			
Notes and accounts payable-trade	¥ 37,281	¥ 40,791	\$ 364,205
Short-term loans payable (Note 8,9,10)	215,450	257,025	2,294,866
Commercial papers	58,000	60,000	535,714
Current portion of bonds (Note 9)	20,000	20,000	178,571
Accounts payable-other	27,565	37,862	338,054
Income taxes payable	9,355	9,781	87,330
Deferred tax liabilities (Note 21)	1,668	517	4,616
Advances received	33,031	39,748	354,893
Deposits received from consignment sales	10,252	7,533	67,259
Deposits received	23,552	26,029	232,402
Deposits received for special joint ventures	11,500	11,600	103,571
Provision for bonuses	9,100	9,183	81,991
Provision for directors' bonuses	191	221	1,973
Provision for warranties for completed construction	244	316	2,821
Other provision	1,186	1,233	11,009
Other	17,579	15,891	141,884
Total current liabilities	475,960	537,737	4,801,223
Non-current liabilities			
Bonds payable (Note 9)	80,000	120,000	1,071,429
Long-term loans payable (Note 8, 9)	732,664	680,867	6,079,170
Deferred tax liabilities (Note 21)	30,630	30,015	267,991
Deferred tax liabilities for land revaluation (Note 7)	4,981	4,981	44,473
Long-term lease and guarantee deposited	174,058	175,218	1,564,446
Deposits received for special joint ventures	9,000	17,500	156,250
Net defined benefit liability (Note 20)	28,473	29,062	259,482
Provision for loss on guarantees	123	11	98
Provision for directors' retirement benefits	56	71	634
Other (Note 8)	26,052	25,379	226,598
Total non-current liabilities	1,086,039	1,083,106	9,670,589
Total liabilities	1,562,000	1,620,844	14,471,821
Net assets			
Shareholders' equity (Note 25)			
Capital stock	60,000	60,000	535,714
Capital surplus	118,638	118,704	1,059,857
Retained earnings	219,855	243,131	2,170,813
Treasury shares	(1,789)	(1,790)	(15,982)
Total shareholders' equity	396,704	420,045	3,750,402
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities (Note 21)	16,713	15,792	141,000
Revaluation reserve for land (Note 7)	7,741	8,069	72,045
Foreign currency translation adjustment	990	1,089	9,723
Remeasurements of defined benefit plans (Note 20)	(3,364)	(2,675)	(23,884)
Total accumulated other comprehensive income	22,080	22,275	198,884
Non-controlling interests	3,596	3,987	35,598
Total net assets	422,381	446,307	3,984,884
Total liabilities and net assets	¥1,984,382	¥2,067,152	\$18,456,714

See accompanying notes to the consolidated financial statements.

Consolidated Statements of (Comprehensive) Income

(Consolidated Statements of Income)

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands)
	2016 (From April 1, 2015 to March 31, 2016)	2017 (From April 1, 2016 to March 31, 2017)	2017 (From April 1, 2016 to March 31, 2017)
Operating revenue	¥815,479	¥808,503	\$7,218,777
Operating cost (Note 12)	651,714	635,495	5,674,063
Operating gross profit	163,765	173,008	1,544,714
Selling, general and administrative expenses	95,014	99,781	890,902
Operating profit	68,750	73,227	653,813
Non-operating income			
Interest income	121	94	839
Dividend income	749	614	5,482
Other	378	590	5,268
Total non-operating income	1,249	1,300	11,607
Non-operating expenses			
Interest expenses	9,609	8,362	74,661
Foreign exchange losses	1,396	912	8,143
Other	2,614	1,621	14,473
Total non-operating expenses	13,620	10,896	97,286
Ordinary profit	56,379	63,631	568,134
Extraordinary income			
Gain on sales of non-current assets	214	128	1,143
Gain on sales of investment securities	18	82	732
Other	44	–	–
Total extraordinary income	277	211	1,884
Extraordinary losses			
Impairment loss (Note 13)	9,567	15,439	137,848
Other	314	2,543	22,705
Total extraordinary losses	9,882	17,982	160,554
Profit before income taxes	46,774	45,860	409,464
Income taxes-current	21,023	19,226	171,661
Income taxes-deferred (Note 21)	(3,200)	(5,341)	(47,688)
Total income taxes (Note 21)	17,823	13,884	123,964
Profit	28,950	31,975	285,491
Profit attributable to non-controlling interests	231	457	4,080
Profit attributable to owners of parent	¥ 28,718	¥ 31,518	\$ 281,411

See accompanying notes to the consolidated financial statements.

Consolidated Statements of (Comprehensive) Income

(Consolidated Statements of Comprehensive Income)

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands) (Note 3)
	2016 (From April 1, 2015 to March 31, 2016)	2017 (From April 1, 2016 to March 31, 2017)	2017 (From April 1, 2016 to March 31, 2017)
Profit	¥28,950	¥31,975	\$285,491
Other comprehensive income			
Valuation difference on available-for-sale securities (Note 14)	1,569	(920)	(8,214)
Deferred gains or losses on hedges (Note 14)	73	–	–
Revaluation reserve for land (Note 14)	277	–	–
Foreign currency translation adjustment (Note 14)	(245)	442	3,946
Remeasurements of defined benefit plans, net of tax (Note 14)	(311)	688	6,143
Share of other comprehensive income of entities accounted for using equity method (Note 14)	(233)	(353)	(3,152)
Total other comprehensive income (Note 14)	1,130	(141)	(1,259)
Comprehensive income	30,081	31,833	284,223
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	29,851	31,385	280,223
Comprehensive income attributable to non-controlling interests	¥ 230	¥ 448	\$ 4,000

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

Tokyu Fudosan Holdings Corporation

2016 (from April 1, 2015 to March 31, 2016)

Account title	Yen (millions)				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of current period	60,000	118,638	195,774	(1,785)	372,628
Changes of items during period					
Dividends of surplus			(6,392)		(6,392)
Profit attributable to owners of parent			28,718		28,718
Purchase of treasury shares				(4)	(4)
Disposal of treasury shares		(0)		0	0
Reversal of revaluation reserve for land			1,757		1,757
Change of scope of consolidation			(4)		(4)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	(0)	24,080	(3)	24,076
Balance at end of current period	60,000	118,638	219,855	(1,789)	396,704

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	15,143	(73)	9,222	1,466	(3,052)	22,705	2,948
Changes of items during period								
Dividends of surplus								(6,392)
Profit attributable to owners of parent								28,718
Purchase of treasury shares								(4)
Disposal of treasury shares								0
Reversal of revaluation reserve for land								1,757
Change of scope of consolidation								(4)
Net changes of items other than shareholders' equity	1,569	73	(1,480)	(476)	(311)	(625)	648	23
Total changes of items during period	1,569	73	(1,480)	(476)	(311)	(625)	648	24,099
Balance at end of current period	16,713	-	7,741	990	(3,364)	22,080	3,596	422,381

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)
Change of scope of consolidation					-
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 benefits	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
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)
Change of scope of consolidation								-
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

Consolidated Statements of Changes in Equity

Tokyu Fudosan Holdings Corporation

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

Account title	U.S. dollars (thousands) (Note 3)				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of current period	535,714	1,059,268	1,962,991	(15,973)	3,542,000
Changes of items during period					
Dividends of surplus			(70,652)		(70,652)
Profit attributable to owners of parent			281,411		281,411
Purchase of treasury shares				(9)	(9)
Disposal of treasury shares		(0)		0	0
Change in ownership interest of parent due to transactions with non-controlling interests		580			580
Reversal of revaluation reserve for land			(2,920)		(2,920)
Change of scope of consolidation					-
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	580	207,821	(9)	208,393
Balance at end of current period	535,714	1,059,857	2,170,813	(15,982)	3,750,402

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 benefits	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	Balance at beginning of current period	149,223	-	69,116	8,839	(30,036)	197,143	32,107
Changes of items during period								
Dividends of surplus								(70,652)
Profit attributable to owners of parent								281,411
Purchase of treasury shares								(9)
Disposal of treasury shares								0
Change in ownership interest of parent due to transactions with non-controlling interests								580
Reversal of revaluation reserve for land								(2,920)
Change of scope of consolidation								-
Net changes of items other than shareholders' equity	(8,214)		2,920	884	6,143	1,732	3,482	5,223
Total changes of items during period	(8,214)	-	2,920	884	6,143	1,732	3,482	213,616
Balance at end of current period	141,000	-	72,045	9,723	(23,884)	198,884	35,598	3,984,884

Consolidated Statements of Cash Flows

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands) (Note 3)
	2016 (From April 1, 2015 to March 31, 2016)	2017 (From April 1, 2016 to March 31, 2017)	2017 (From April 1, 2016 to March 31, 2017)
Cash flows from operating activities			
Profit before income taxes	¥ 46,774	¥ 45,860	\$ 409,464
Depreciation	21,008	23,529	210,080
Amortization of goodwill	4,548	4,911	43,848
Share of (profit) loss of entities accounted for using equity method	792	264	2,357
Increase (decrease) in net defined benefit liability	1,695	518	4,625
Increase (decrease) in other provision	836	(112)	(1,000)
Impairment loss	9,567	15,439	137,848
Loss on valuation of inventories	3,635	5,036	44,964
Loss on retirement of non-current assets	1,121	1,044	9,321
Interest and dividend income	(657)	(709)	(6,330)
Interest expenses	9,609	8,362	74,661
Decrease (increase) in notes and accounts receivable-trade	1,231	(3,334)	(29,768)
Decrease (increase) in inventories	19,428	(25,735)	(229,777)
Increase (decrease) in notes and accounts payable-trade	(14,325)	2,354	21,018
Increase (decrease) in deposits received for consignment sales	243	(2,719)	(24,277)
Increase (decrease) in deposits received for special joint ventures	(2,500)	8,600	76,786
Other, net	15,610	12,294	109,768
Subtotal	118,621	95,606	853,625
Interest and dividend income received	825	785	7,009
Interest expenses paid	(9,787)	(8,337)	(74,438)
Income taxes paid	(21,736)	(19,130)	(170,804)
Net cash provided by (used in) operating activities	¥ 87,922	¥ 68,925	\$ 615,402
Cash flows from investing activities			
Payments of loans receivable	(2,444)	(1,780)	(15,893)
Collection of loans receivable	48	50	446
Purchase of short-term and long-term investment securities	(35,115)	(11,985)	(107,009)
Proceeds from sales and redemption of short-term and long-term investment securities	4,700	1,100	9,821
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(18,847)	(168,277)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	(601)	(5,366)
Payments for lease and guarantee deposits	(6,278)	(8,835)	(78,884)
Proceeds from collection of lease and guarantee deposits	6,468	3,914	34,946
Purchase of non-current assets	(85,045)	(53,336)	(476,214)
Proceeds from sales of non-current assets	6,432	19,669	175,616
Other, net	(1,138)	(336)	(3,000)
Net cash provided by (used in) investing activities	¥(112,372)	¥(70,988)	\$(633,821)

Consolidated Statements of Cash Flows

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands) (Note 3)
	2016 (From April 1, 2015 to March 31, 2016)	2017 (From April 1, 2016 to March 31, 2017)	2017 (From April 1, 2016 to March 31, 2017)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	¥ 18,280	¥ 32,540	\$ 290,536
Net increase (decrease) in commercial papers	(15,000)	2,000	17,857
Proceeds from long-term loans payable	287,387	148,298	1,324,089
Repayments of long-term loans payable	(323,705)	(192,127)	(1,715,420)
Proceeds from long-term lease and guarantee deposited	25,970	29,257	261,223
Repayments of long-term lease and guarantee deposited	(25,871)	(27,552)	(246,000)
Proceeds from issuance of bonds	20,000	60,000	535,714
Redemption of bonds	(10,000)	(20,000)	(178,571)
Cash dividends paid	(6,392)	(7,913)	(70,652)
Proceeds from share issuance to non-controlling shareholders	669	467	4,170
Dividends paid to non-controlling interests	(234)	(73)	(652)
Repayments of finance lease obligations	(1,617)	(1,463)	(13,063)
Payments for investments in silent partnership that do not result in change in scope of consolidation	–	(390)	(3,482)
Net decrease (increase) in treasury shares	(3)	(1)	(9)
Net cash provided by (used in) financing activities	¥ (30,518)	¥ 23,042	\$ 205,732
Effect of exchange rate change on cash and cash equivalents	883	1,021	9,116
Net increase (decrease) in cash and cash equivalents	¥ (54,084)	¥ 22,000	\$ 196,429
Cash and cash equivalents at beginning of period	93,949	39,864	355,929
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	0	–	–
Cash and cash equivalents at end of period (Note 15)	¥ 39,864	¥ 61,865	\$ 552,366

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 121 consolidated subsidiaries as of March 31, 2017. The following companies have become consolidated subsidiaries: Silent Partnership MATSUMAE WIND FARM, Silent Partnership ZENIBAKO WIND FARM, Silent Partnership PHOENIX, Silent Partnership AMORE, Silent Partnership PEGASUS, and Silent Partnership LIBRA because of new investments made; National Students Information Center Co., Ltd., Sigma Japan Co., Ltd., KK Homic, Nasic I support. Co., Ltd., Nasic Educational Solution Co., Ltd. and Hokuwa Construction Inc. because of the acquisition of shares, Dong Lian (Tianjin) Investment Partnership, Tianjin Lian Dong Investment Partnership, and O-IRV LLC, which have been newly established; and TLC Houston ROHV, LLC, TLC WFNY, LLC, TLC Fullerton, LLC, and TLC 425 Park SMM, LLC because of an increase in their importance.

Meanwhile, the following companies have been excluded from the scope of consolidation: Yoko Building System Co., Ltd. because of

its absorption in an absorption-type merger where Community One Co., Ltd. is the surviving company; Silent Partnership ORION, Silent Partnership GEMINI, Silent Partnership PEGASUS, Silent Partnership MARE, and Silent Partnership CLASSE because of a decrease in their importance due to sales of assets; and TOKYU LOAN & GUARANTEE CORPORATION, because of the sale of shares.

(c) Securities

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

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

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

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

(d) Inventories

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

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

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

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

Estimated useful lives are as follows:

Buildings and structures 3 to 65 years

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

(f) Intangible Assets (except for leased assets)

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

(g) Leases

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

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

(h) Allowance for Doubtful Accounts

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

(i) Provision for Bonuses

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

(j) Provision for Warranties for Completed Construction

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

(k) Retirement benefit liability

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

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.

2. Change in Accounting Policy

Following the revision to the Corporation Tax Act, the Company has applied the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) from the fiscal year ended March 31, 2017 and changed the depreciation method for structures acquired on or after April 1, 2016 from the declining balance method to the straight line method.

In addition, the effect of this change on operating income, ordinary income and profit before income taxes of the consolidated financial statements for the fiscal year ended March 31, 2017 is immaterial.

3. Basis of Financial Statements Translation

The accompanying consolidated financial statements presented herein are expressed in Japanese yen, and solely for the convenience of readers, have been translated into United States dollars at the rate of 112=U.S. \$1, the approximate exchange rate prevailing on the

Tokyo Foreign Exchange Market on March 31, 2017. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars at that rate.

4. Investments in Silent Partnerships and Operational Investment Securities

Investments in silent partnerships and TMK holding properties for sale, and operational investment securities included in securities at March 31, 2016 and 2017 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Investments in silent partnership	–	1,219	10,884
Securities	¥1,272	¥4,078	\$36,411

5. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in and loans to unconsolidated subsidiaries and affiliates at March 31, 2016 and 2017 consisted of the following:

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Investment securities	¥40,141	¥49,598	\$442,839

6. Contingent Liabilities

At March 31, 2016 and 2017 the Company and consolidated subsidiaries have the following contingent liabilities:

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Guarantee of loans on behalf of:			
Individual customers for principally housing loans	¥ 6,878	¥ 206	\$ 1,839
Employees for their purchase of residential houses	24	12	107
PT. TTL Residences	216	214	1,911
425 Park Owner LLC	10,457	10,411	92,955
Tokyu Land US Corporation*1	28,091	–	–
PT.Tokyu Land Indonesia*2	–	2,940	26,250
Shiba Daimon TMK	–	10,000	89,286
	¥45,667	¥23,785	\$212,366

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

7. Revaluation of Land

Land owned by Tokyu Land Corporation and IZU KANKOU KAI-HATSU, 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 land revaluated was higher than the book value after revaluation at March 31, 2016 and 2017, respectively. As such, the difference is not stated.

8. Pledged Assets and Secured Liabilities

Pledged assets and secured liabilities at March 31, 2016 and 2017 are summarized as follows:

(1) Pledged assets

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Inventories (Real estate for sale)	¥ 55,628	¥ 14,121	\$ 126,080
Buildings and structures	103,438	95,194	849,946
Land	588,364	583,485	5,209,688
Investment securities	153	164	1,464
Long-term loans receivable	237	223	1,991
	¥747,822	¥693,188	\$6,189,179

(2) Secured liabilities

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Short-term loans payable	¥ 39,664	¥ 98,808	\$ 882,214
Long-term loans payable	354,072	257,337	2,297,652
Other noncurrent liabilities	2,261	2,261	20,188
	¥395,997	¥358,407	\$3,200,063

In addition to the above, investment securities of ¥983 million and ¥889 million (U.S. \$7,938 thousand) at March 31 2016 and 2017 were pledged as collateral for guarantee of the real estate trading 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)
	2016	2017	2017
Real estate for sale	¥2,261	¥2,261	\$20,188
Other noncurrent liabilities	¥2,261	¥2,261	\$20,188

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

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Short-term loans payable (Current portion of long-term loans payable)	¥ 30,681	¥ 98,684	\$ 881,107
Long-term loans payable	¥362,676	¥257,251	\$2,296,884

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

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Real estate for sale	¥ 52,216	¥ 10,680	\$ 95,357
Land	585,538	580,658	5,184,446
Buildings and structures	¥100,981	¥ 94,242	\$ 841,446

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

Short-term loans payable at March 31, 2016 and 2017 consist of loans principally from banks with weighted average interest rates of 0.57% in 2017.

Long-term debt at March 31, 2016 and 2017 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
0.700% unsecured corporate bond, maturing 2017	¥ 10,000	¥ –	\$ –
0.810% unsecured corporate bond, maturing 2017	10,000	–	–
0.630% unsecured corporate bond, maturing 2018	10,000	10,000	89,286
0.560% unsecured corporate bond, maturing 2018	10,000	10,000	89,286
0.390% unsecured corporate bond, maturing 2019	10,000	10,000	89,286
0.639% unsecured corporate bond, maturing 2021	10,000	10,000	89,286
0.298% unsecured corporate bond, maturing 2020	10,000	10,000	89,286
0.856% unsecured corporate bond, maturing 2025	10,000	10,000	89,286
0.968% unsecured corporate bond, maturing 2026	10,000	10,000	89,286
0.371% unsecured corporate bond, maturing 2021	10,000	10,000	89,286
0.190% unsecured corporate bond, maturing 2022	–	10,000	89,286
0.780% unsecured corporate bond, maturing 2032	–	10,000	89,286
0.800% unsecured corporate bond, maturing 2032	–	10,000	89,286
0.180% unsecured corporate bond, maturing 2022	–	10,000	89,286
0.001% unsecured corporate bond, maturing 2021	–	10,000	89,286
0.455% unsecured corporate bond, maturing 2028	–	10,000	89,286
Loans principally from Japanese banks and insurance companies (including loans in foreign currencies), maturing 2018 to 2032 with weighted average interest rates of 0.62% in 2017.			
Secured	395,997	358,407	3,200,063
Unsecured	490,619	485,348	4,333,464
	986,617	983,755	8,783,527
Less current portion	(173,953)	(182,887)	(1,632,920)
	¥ 812,664	¥ 800,867	\$ 7,150,598

The aggregate annual maturates of long-term debt after March 31, 2018 are as follows:

Year ending March 31,	Yen (millions)	U.S. dollars (thousands)
2019	¥ 96,309	\$ 859,902
2020	87,206	778,625
2021	90,056	804,071
2022	86,338	770,875
2023 and thereafter	440,957	3,937,116
	¥800,867	\$7,150,598

10. Commitment Lines

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

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Limit of overdraft	¥229,469	¥259,119	\$2,313,563
Line of credit	54,000	54,000	482,143
Borrowing outstanding	(61,497)	(65,097)	(581,223)
Available commitment lines	¥221,972	¥248,022	\$2,214,482

11. Change in Purpose of Possession

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

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
From property, plant and equipment to real estate for sale	¥23,089	¥40,826	\$364,518
From real estate for sale to property, plant and equipment	26,763	–	–
From investment securities to securities	¥ –	¥ 729	\$ 6,509

12. Loss on Valuation of Inventories

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

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Loss on valuation of inventories	¥3,635	¥5,036	\$44,964

13. Impairment Loss on Fixed Assets

2016

For the year ended March 31, 2016, the Company recognized impairment loss on fixed assets in the following asset groups:

Primary use	Type	Location	Impairment loss Yen (millions)
Leased assets	Land, buildings and structures, other fixed assets	Toyohashi-shi, Aichi	¥3,674
Leased assets	Land, buildings and structures, other fixed assets	Chuo-ku, Tokyo	¥2,580
Leased assets	Land, buildings and structures, other fixed assets	Osaka-shi, Osaka	¥1,203
Others (7 assets)	Land, buildings and structures, other fixed assets	Other area	¥2,108

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 ¥9,567 million (\$85,420 thousand) under extraordinary losses.

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

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)	Impairment loss U.S. dollars (thousands)
Leased assets	Land	Shibuya-ku, Tokyo	¥15,133	\$135,116
Others (9 assets)	Land, buildings and structures, other fixed assets	Other area	¥ 305	\$ 2,723

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 (\$137,848 thousand) under extraordinary losses.

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

14. Other Comprehensive Income

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

(1) Recycling associated with other comprehensive income

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥1,728	¥(1,319)	\$(11,777)
Recycling	(18)	(6)	(54)
Total valuation difference on available-for-sale securities	¥1,709	¥(1,326)	\$(11,839)
Deferred gains or losses on hedges:			
Amount arising during the year	110	–	–
Recycling	–	–	–
Total deferred gains or losses on hedges	¥ 110	¥ –	\$ –
Foreign currency translation adjustment:			
Amount arising during the year	(245)	442	3,946
Recycling	–	–	–
Total foreign currency translation adjustment	¥ (245)	¥ 442	\$ 3,946
Remeasurements of defined benefits:			
Amount arising during the year	(953)	(265)	(2,366)
Recycling	925	1,194	10,661
Total remeasurements of defined benefits	¥ (28)	¥ 928	\$ 8,286
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	(233)	(353)	(3,152)
Recycling	–	–	–
Total share of other comprehensive income of entities accounted for using equity method	¥ (233)	¥ (353)	\$ (3,152)
Amount before tax effect	1,313	(308)	(2,750)
Tax effect	(182)	166	1,482
Total accumulated other comprehensive income	¥1,130	¥ (141)	\$ (1,259)

(2) Tax effect associated with other comprehensive income

	Yen (millions)		
	2016		
	Before tax effect	Tax effect	After tax effect
Valuation difference on available-for-sale securities	¥1,709	¥(140)	¥1,569
Deferred gains or losses on hedges	110	(36)	73
Revaluation reserve for land	–	277	277
Foreign currency translation adjustment	(245)	–	(245)
Remeasurements of defined benefits	(28)	(283)	(311)
Share of other comprehensive income of entities accounted for using equity method	(233)	–	(233)
Total accumulated other comprehensive income	¥1,313	¥(182)	¥1,130

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

	U.S. dollars (thousands)		
	2017		
	Before tax effect	Tax effect	After tax effect
Valuation difference on available-for-sale securities	\$ (11,839)	\$ 3,625	\$ (8,214)
Deferred gains or losses on hedges	–	–	–
Revaluation reserve for land	–	–	–
Foreign currency translation adjustment	3,946	–	3,946
Remeasurements of defined benefits	(3,152)	–	(3,152)
Share of other comprehensive income of entities accounted for using equity method	8,286	(2,143)	6,143
Total accumulated other comprehensive income	\$ (2,750)	\$ 1,482	\$ (1,259)

15. Supplementary Cash Flow Information

For the purpose of the statement of cash flows, the Company considers all highly liquid investments with little risk of changes in value that have maturities of generally three months or less when purchased to be cash equivalents. The components of cash and cash equivalents at March 31, 2016 and 2017 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Cash and deposits	¥40,230	¥62,885	\$561,473
Time deposits with maturity over three Months	(366)	(1,019)	(9,098)
Cash and cash equivalents	¥39,864	¥61,865	\$552,366

The details of significant non-cash transactions

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
The amount transferred from property, plant and equipment to real estate for sale due to change in purpose of holding the real estate	¥23,089	¥40,826	\$364,518
The amount transferred from real estate for sale to property, plant and equipment due to change in purpose of holding the real estate	¥26,763	¥ –	\$ –
The amount transferred from investment security due to security change in purpose of holding the real estate	¥ –	¥ 729	\$ 6,509

Major assets and liabilities of companies that became consolidated subsidiaries in the consolidated fiscal year under review through acquisitions of shares by the Company

The table below shows the relationship between the assets and liabilities of the National Students Information Center at the time of consolidation through the acquisition of shares, stock acquisition cost, and (net) expense for the acquisition.

	Yen (millions)	U.S. dollars (thousands)
Current asset	¥12,879	\$114,991
Noncurrent asset	7,313	65,295
Goodwill	17,014	151,911
Current liability	(8,446)	(75,411)
Noncurrent liability	(3,133)	(27,973)
Stock acquisition cost	25,628	228,821
Cash and cash equivalents at the new consolidated subsidiary	(6,780)	(60,536)
Expense for acquisition of shares at the subsidiary	¥18,847	\$168,277

16. Information Regarding Certain Leases

(Finance Lease Transactions as lessee)

Finance leases, which commenced on or before March 31, 2008, other than those in which the ownership of the leased assets is to be transferred to the lessees at the end of the lease term, are accounted for using the same method as that of operating leases. Additional information on these finance leases as of and for the years ended March 31, 2016 and 2017 are as follows:

(1) Acquisition cost, accumulated depreciation, accumulated impairment loss, and carrying amount of leased properties (mainly office equipment) at March 31, 2016 and 2017 if they were capitalized

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Acquisition cost	¥7,252	¥7,248	\$64,714
Accumulated depreciation	3,152	3,516	31,393
Carrying amount	¥4,099	¥3,732	\$33,321

(2) Future lease payments at March 31, 2016 and 2017

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Due within one year	¥ 602	¥ 596	\$ 5,321
Due after one year	6,124	5,528	49,357
Total	¥6,726	¥6,124	\$54,679

(3) Amount of lease payments, reversal of impairment loss account on leased assets, depreciation expense equivalent, and interest expenses equivalent thereof at March 31, 2016 and 2017

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Lease payments	¥607	¥602	\$5,375
Reversal of impairment loss account on leased assets	-	-	-
Depreciation expense	372	294	2,625
Interest expenses	¥278	¥206	\$1,839

(Operating Lease Transactions as lessee)

Future lease payments of non-cancellable leases at March 31, 2016 and 2017 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Due within one year	¥ 20,567	¥ 19,520	\$ 174,286
Due after one year	189,965	184,541	1,647,688
Total	¥210,533	¥204,061	\$1,821,973

(Operating Lease Transactions as lessor)

Future lease payments of non-cancellable leases to be received at March 31, 2016 and 2017 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Due within one year	¥ 30,200	¥ 28,707	\$ 256,313
Due after one year	186,880	177,558	1,585,339
Total	¥217,080	¥206,265	\$1,841,652

17. Financial Instruments

Financial instruments at March 31, 2016 and 2017 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, 2017 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2).

	Yen (millions)		
	Carrying value	Estimated fair value	Difference
(1) Cash and deposits	¥ 62,885	¥ 62,885	¥ -
(2) Securities and investment securities			
Held-to-maturity securities	848	858	10
Other securities	60,595	60,595	-
Total assets	¥ 124,329	¥ 124,340	¥ 10
(1) Short-term loans payable	94,137	94,137	-
(2) Commercial papers	60,000	60,000	-
(3) Bonds payable	140,000	140,121	121
(4) Long-term loans payable	843,755	843,639	(115)
Total liabilities	¥1,137,893	¥1,137,899	¥ 5
Derivatives	¥ (561)	¥ (561)	¥ -

	U.S. dollars (thousands)		
	Carrying value	Estimated fair value	Difference
(1) Cash and deposits	\$ 561,473	\$ 561,473	\$ -
(2) Securities and investment securities			
Held-to-maturity securities	7,571	7,661	89
Other securities	541,027	541,027	-
Total assets	\$ 1,110,080	\$ 1,110,179	\$ 89
(1) Short-term loans payable	840,509	840,509	-
(2) Commercial papers	535,714	535,714	-
(3) Bonds payable	1,250,000	1,251,080	1,080
(4) Long-term loans payable	7,533,527	7,532,491	(1,027)
Total liabilities	\$10,159,759	\$10,159,813	\$ 45
Derivatives	\$ (5,009)	\$ (5,009)	\$ -

Notes:

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

Assets

Cash and deposits

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

Securities and Investment securities

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

Liabilities

Short-term loans payable and Commercial papers

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

Bonds payable (Including current portion of bonds)

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

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

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

Derivatives

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

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

	Yen (millions)	U.S. dollars (thousands)
Operational investment securities	¥ 1,783	\$ 15,920
Unlisted stocks—current	2,294	20,482
Unlisted stocks—noncurrent	56,782	506,982
Investments in silent partnerships—current	1,219	10,884
Investments in silent partnerships—noncurrent	¥ 1,192	\$ 10,643

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	¥ 68,664	\$ 613,071
Long-term lease and guarantee deposited	¥175,218	\$1,564,446

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, 2017

	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	¥62,885	¥ –	¥ –	¥ –
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	140	708	–	–
(2) Corporate bonds	–	–	–	–
Other securities with maturities				
(1) National and local government bonds	–	46	–	–
(2) Corporate bonds	–	–	–	–
Total	¥63,025	¥ 754	¥ –	¥ –

	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	\$561,473	\$ –	\$ –	\$ –
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	1,250	6,321	–	–
(2) Corporate bonds	–	–	–	–
Other securities with maturities				
(1) National and local government bonds	–	411	–	–
(2) Corporate bonds	–	–	–	–
Total	\$562,723	\$6,732	\$ –	\$ –

18. Securities

Securities held by the Company as of March 31, 2016 and 2017 are summarized as follows:

(1) Held-to-maturity Securities

2016	Yen (millions)		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
National and local government bonds	¥ 922	¥ 938	¥15
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	922	938	15
Securities whose fair value does not exceed book value:			
National and local government bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	-	-	-
Total	¥ 922	¥ 938	¥15

2017	Yen (millions)		
	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

2017	U.S. dollars (thousands)		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
National and local government bonds	\$7,571	\$7,661	\$89
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	7,571	7,661	89
Securities whose fair value does not exceed book value:			
National and local government bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	-	-	-
Total	\$7,571	\$7,661	\$89

(2) Other Securities

2016	Yen (millions)		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥ 61,375	¥ 37,121	¥ 24,253
National and local government bonds	71	70	0
Other	–	–	–
Subtotal	61,446	37,192	24,254
Securities whose book value does not exceed acquisition cost:			
Stocks	210	228	(17)
National and local government bonds	–	–	–
Other	–	–	–
Subtotal	210	228	(17)
Total	¥ 61,657	¥ 37,420	¥ 24,236

2017	Yen (millions)		
	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

2017	U.S. dollars (thousands)		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	\$540,536	\$335,982	\$204,554
National and local government bonds	411	402	0
Other	–	–	–
Subtotal	540,955	336,393	204,554
Securities whose book value does not exceed acquisition cost:			
Stocks	71	80	0
National and local government bonds	–	–	–
Other	–	–	–
Subtotal	71	80	0
Total	\$541,027	\$336,473	\$204,554

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

Other Securities	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Operational investment securities	¥1,272	¥1,783	\$15,920
Unlisted stocks, etc	6,545	9,478	84,625
Investments in silent partnerships	¥2,247	¥2,411	\$21,527

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

(3) Sales of Other Securities

Sales of other securities and corresponding aggregate gains and aggregate losses for the years ended March 31, 2016: Not applicable.

Sales of other securities and corresponding aggregate gains and aggregate losses for the years ended March 31, 2017:

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

2017 Type	U.S. dollars (thousands)		
	Sales amount	Aggregate gains	Aggregate losses
Stocks	\$1,929	\$732	\$-
National and local government bonds	-	-	-
Other	-	-	-
Total	\$1,929	\$732	\$-

(4) Loss on valuation of securities

Loss on valuation of securities for the years ended March 31, 2016: Not applicable.

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

	Yen (millions)	U.S. dollars (thousands)
	2017	2017
Loss on valuation of investment securities(Note)	¥431	\$3,848

Note: Securities which market value is very difficult to determine

19. Derivatives

Contract/notional amount and the estimated fair value of the derivative instruments as of March 31, 2016 and 2017 are summarized as follows:

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

		Yen (millions)			
2016	Type of derivatives	Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain(loss)
Non-market transaction	NDF				
	To sell foreign currency: Indonesian rupiah	¥ 8,415	¥5,950	¥ (49)	¥ (49)
Non-market transaction	Interest rate cap transactions	¥ 9,467	¥ -	¥ (0)	¥ (0)

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

		U.S. dollars (thousands)			
2017	Type of derivatives	Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain (loss)
Non-market transaction	NDF				
	To sell foreign currency: Indonesian rupiah	\$66,750	\$ -	\$(5,009)	\$(5,009)
Non-market transaction	Interest rate cap transactions	\$81,643	\$ -	\$ -	\$ -

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

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

2016			Yen (millions)		
Hedge accounting method	Type of derivatives	Major hedged items	Contract/ notional amount	Amount due after one year	Fair value
	Interest rate swaps				
Special treatment for interest rate swaps	Receive/floating Pay/fixed	Long-term debt	¥ 430,681	¥ 355,151	¥(Notes)
2017			Yen (millions)		
Hedge accounting method	Type of derivatives	Major hedged items	Contract/ notional amount	Amount due after one year	Fair value
	Interest rate swaps				
Special treatment for interest rate swaps	Receive/floating Pay/fixed	Long-term debt	¥ 341,033	¥ 300,511	¥(Notes)
2017			U.S. dollars (thousands)		
Hedge accounting method	Type of derivatives	Major hedged items	Contract/ notional amount	Amount due after one year	Fair value
	Interest rate swaps				
Special treatment for interest rate swaps	Receive/floating Pay/fixed	Long-term debt	\$3,044,938	\$2,683,134	\$(Notes)

Notes: 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.

20. Employees' Retirement and Severance Benefits

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

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

Defined benefit plan

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

1. Principle method

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Retirement benefit obligations at beginning of year	¥31,120	¥32,708	\$292,036
Service cost	1,853	2,065	18,438
Interest cost	269	224	2,000
Actuarial loss	681	335	2,991
Retirement benefits paid	(1,469)	(1,847)	(16,491)
Increase due to new consolidation	–	237	2,116
The amount of transfer in association with changing from the simplified method to the principle method	252	357	3,188
Prior service cost that occurred in the fiscal year under review	–	(22)	(196)
Retirement benefit obligations at end of year	¥32,708	¥34,059	\$304,098
2. Simplified method			
Retirement benefit obligations at beginning of year	1,825	1,679	14,991
Retirement benefit cost	191	127	1,134
Retirement benefits paid	(177)	(213)	(1,902)
The amount of transfer in association with changing from the simplified method to the principle method	(159)	(454)	(4,054)
Contributions to the system	–	20	179
Increase due to new consolidation	–	46	411
Retirement benefit obligations at end of year	¥ 1,679	¥ 1,205	\$ 10,759

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

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Pension assets at beginning of year	¥6,571	¥6,557	\$58,545
Expected return on plan assets	200	201	1,795
Actuarial loss	(271)	47	420
Contributions from employer	463	332	2,964
Retirement benefits paid	(406)	(506)	(4,518)
Increase due to new consolidation	-	213	1,902
Pension assets at end of year	¥6,557	¥6,846	\$61,125

III. Table of reconciliation of retirement benefit obligations and pension assets as of March 31, 2016 and 2017 and retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheet

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Retirement benefit obligations under the savings-type plan	¥ 7,332	¥ 7,407	\$ 66,134
Plan assets at fair value	(6,557)	(6,846)	(61,125)
	774	560	5,000
Retirement benefit obligations under the non-savings-type plan	27,056	27,857	248,723
Net amount of liability and asset recorded in the consolidated balance sheet	¥27,830	¥28,418	\$253,732
Retirement benefit liability	28,473	29,062	259,482
Retirement benefit asset	(642)	(644)	(5,750)
Net amount of liability and asset recorded in the consolidated balance sheet	¥27,830	¥28,418	\$253,732

IV. Components of retirement benefit cost for the year ended March 31, 2016 and 2017

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Service cost	¥1,853	¥2,065	\$18,438
Interest cost	269	224	2,000
Expected return on plan assets	(200)	(201)	(1,795)
Amount expensed associated with the change from the simplified method to the principle method	92	(96)	(857)
Amortization of actuarial loss	890	1,156	10,321
Amortization of prior service cost	34	37	330
Retirement benefit cost calculated using the simplified method	191	127	1,134
Retirement benefit cost for the defined benefit plan	¥3,131	¥3,312	\$29,571

V. Remeasurements of defined benefit plans, net of tax

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Prior service cost	(34)	(59)	(527)
Actuarial loss	62	(868)	(7,750)
Total	¥28	¥(928)	\$(8,286)

VI. Remeasurements of retirement benefit plans

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

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Unrecognized prior service cost	¥ (168)	¥ (108)	\$ (964)
Unrecognized actuarial loss	(4,135)	(3,266)	(29,161)
Total	¥(4,303)	¥(3,374)	\$(30,125)

VII. Pension assets

1. The ratio by major category of the total pension assets as of March 31, 2016 and 2017 are set forth below.

	2016	2017
Bonds	40%	35%
Stocks	23%	20%
General account	29%	28%
Others	8%	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, 2016 and 2017

	2016	2017
Discount rate	0.00%–1.10%	0.00%–1.10%
Long-term expected rate of return on pension assets	0.75%–5.00%	0.75%–3.20%
Expected rate of salary increase	1.22%–7.47%	1.22%–7.47%

Defined contribution plan

The amount required to be contributed to the defined contribution plan are ¥1,219 million and ¥1,348 million (\$12,036 thousand) for the year ended March 31, 2016 and 2017.

21. Income Taxes

Significant components of deferred tax assets and deferred tax liabilities at March 31, 2016 and 2017 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Deferred tax assets:			
Valuation loss on inventories	¥ 548	¥ 628	\$ 5,607
Valuation loss on securities	2,115	2,364	21,107
Amortization of intangible assets	3,561	3,162	28,232
Allowance for doubtful accounts	190	122	1,089
Accrued expenses	200	155	1,384
Accrued bonuses to employees	3,579	3,618	32,304
Retirement benefit liability	7,789	8,171	72,955
Net operating loss carry forwards	1,445	2,721	24,295
Unrealized inter-company profits	369	427	3,813
Impairment losses on fixed assets	2,088	7,000	62,500
Loss of investments in silent partnerships	372	9	80
Valuation difference on consolidated subsidiaries	1,977	–	–
Undistributed loss from consolidated subsidiaries	636	452	4,036
Accrued enterprise tax/business office tax	1,087	874	7,804
Revaluation of assets for merger	7	7	63
Asset retirement obligations	1,363	1,507	13,455
Assets awaiting handling	–	6,581	58,759
Other	6,679	6,170	55,089
Gross deferred tax assets	34,014	43,977	392,652
Less: valuation allowance	(8,321)	(9,040)	(80,714)
Total deferred tax assets	¥ 25,692	¥ 34,937	\$ 311,938
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ 7,343	¥ 6,937	\$ 61,938
Allowance for doubtful accounts	6	3	27
Valuation difference on consolidated subsidiaries	28,139	26,993	241,009
Reserve for advanced depreciation of noncurrent assets	2,950	2,960	26,429
Loss on approval for exchange of land rights	206	115	1,027
Property, plant and equipment corresponding to asset retirement obligations	907	887	7,920
Other	2,129	2,049	18,295
Total deferred tax liabilities	41,684	39,947	356,670
Net deferred tax assets	¥(15,991)	¥ (5,010)	\$ (44,732)
	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
Deferred tax assets–current	¥ 9,818	¥ 12,474	\$ 111,375
Deferred tax assets–non current	6,489	13,047	116,491
Deferred tax liabilities–current	(1,668)	(517)	(4,616)
Deferred tax liabilities–non current	(30,630)	(30,015)	(267,991)
	¥(15,991)	¥ (5,010)	\$ (44,732)

Breakdown by major items that caused a significant difference between the effective statutory tax rate and the burden ratio of corporate taxes after applying tax effect accounting is as follows:

	2016	2017
Effective statutory tax rate (Adjustments)	33.1%	Since the difference between the effective statutory tax rate and the burden ratio of corporate taxes after applying tax effect accounting is less than five hundredths of the effective statutory tax rate, the note is omitted.
Items not included in tax deductions permanently, such as entertainment expenses	0.8%	
Items not included in taxable income permanently, such as dividend income	(0.3)%	
Inhabitant tax on a per capita basis	0.6%	
Increase/decrease in the amount of valuation reserve	3.0%	
Amortization of goodwill	3.3%	
Tax breaks to expand income and tax breaks to promote capital investment to improve productivity	(1.4)%	
Elimination of inter-company transactions for gain on sales of investment securities	0.0%	
Equity in earnings of entities accounted for by the equity method	0.6%	
Reduction of deferred tax assets at year end due to changes in tax rates	(1.6)%	
Others	0.1%	
Burden ratio of corporate taxes after applying tax effect accounting	38.1%	

22. Business Combinations

Business Combination Through Acquisitions

(1) Outline of business combination

(a) Acquired company and their business

Acquired company : National Students Information Center Group

Main business: Student apartments business, School support business, etc.

(b) Main reason for business combination

The Company decided to conduct this transaction to expand business in the rental housing management market and to use National Students Information Center Group's wide range of relationships in order to acquire businesses for Group companies and to create opportunities for new businesses.

(c) Date of business combination

November 14, 2016

(d) Legal form of business combination

Acquisition of shares in return for cash

(e) Name of entity after business combination

After the acquisition of shares, the business name has changed to National Students Information Center Co., Ltd.

(f) Percentage share of voting rights acquired

Percentage share of voting rights before the business combination: 0.0%

Percentage share of voting rights acquired on the business combination date: 100.0%

Percentage share of voting rights after the business combination: 100.0%

(g) Main reason for determining the acquiring entity

Since it was an acquisition of shares by Tokyu Fudosan Holdings Corporation in return for cash

(2) Period of which the operating results of the acquired company is included in the consolidated financial statements

From November 14, 2016 to March 31, 2017

(3) Acquisition cost and its breakdown

	Yen (millions)	U.S. dollars (thousands)
Acquisition consideration:		
Cash	¥25,628	\$228,821
Acquisition cost	¥25,628	\$228,821

(4) Major expense related to the acquisition

Advisory expense etc.: ¥315 million (\$2,813 thousand)

(5) Amount of goodwill recognized and reason thereof, amortization method and amortization period

(a) Amount of goodwill

¥17,014 million (\$151,911 thousand)

(b) Reason

The amount was mainly incurred from the excess earning power that was expected to be generated from future business deployment.

(c) Amortization method and amortization period

Straight-line method over 20 years

(6) Changes in assets and liabilities on the date of business combination

	Yen (millions)	U.S. dollars (thousands)
Current assets	¥12,879	\$114,991
Noncurrent assets	7,313	65,295
Total assets	¥20,192	\$180,286
Current liabilities	¥ 8,446	\$ 75,411
Noncurrent liabilities	3,133	27,973
Total liabilities	¥11,579	\$103,384

(7) Effects on the consolidated statement of income for the fiscal year assuming that the business combination was completed on the commencement date of the consolidated fiscal year and computation method

The effects on the consolidated statement of income are not stated here because the estimated effects are not very material.

23. Investment and Rental Properties

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

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

U.S. dollars (thousands)			
	Carrying value		Fair value
As of April 1, 2016	Net change	As of March 31, 2017	As of March 31, 2017
\$7,740,339	\$(619,902)	\$7,120,429	\$8,290,214

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, increases were mainly attributable to the acquisition of properties of ¥1,057 million (\$9,438 thousand), decreases were chiefly due to the sales of properties of ¥19,216 million (\$171,571 thousand) and transfers to real estate for sale of ¥30,441 million (\$271,795 thousand).
3. The fair value is mainly estimated in accordance with appraisal standards for valuing real estate.
4. Determining the fair value of properties in the planning stage (consolidated balance sheet amount of ¥127,353 million (\$1,137,080 thousand) as of March 31, 2017) is extremely difficult, since they are in the early stages of development. For this reason, they are not included in the table above.

24. Per Share Information

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

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

	Yen		U.S. dollars
	2016	2017	2017
Net asset per share of common stock as of March 31	¥687.92	¥726.59	\$6.49
Net income per share of common stock for the year ended March 31	¥ 47.18	¥ 51.77	\$0.46

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

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
For the year ended March 31			
Profit attributable to owners of parent	¥ 28,718	¥ 31,518	\$281,411
Profit attributable to owners of parent of common stock	¥ 28,718	¥ 31,518	\$281,411
Weighted average number of shares of common stock (thousands)	608,769	608,766	

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

	Yen (millions)		U.S. dollars (thousands)
	2016	2017	2017
As of March 31			
Total net assets	¥422,381	¥446,307	\$3,984,884
Amount deducted from total net assets	3,596	3,987	35,598
Non-controlling interests	(3,596)	(3,987)	(35,598)
Net assets of common stock at March 31	¥418,785	¥442,320	\$3,949,286
Number of shares of common stock at March 31 (thousands)	608,767	608,764	

25. Shareholders' Equity

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

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

26. Segment Information

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

(1) Urban Development; (i) development, leasing, and operation of office buildings, 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, 2016 and 2017 are less than 10 percent of consolidated revenue.

Summarized information by business segment for the year ended March 31, 2016 and 2017 are as follows:

Year ended March 31, 2016	Yen (millions)								
	Urban Development	Residential	Property Management	Real-Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/Headquarters	Consolidated
Revenues:									
Third party customers	255,924	117,674	136,559	78,821	89,676	95,392	41,429	-	815,479
Inter-segment	2,819	40	8,670	1,499	529	355	9,795	(23,710)	-
Total	258,744	117,714	145,230	80,321	90,205	95,748	51,225	(23,710)	815,479
Operating income	44,791	6,962	8,031	10,226	6,412	1,071	(3,041)	(5,703)	68,750
Total assets	1,377,662	148,644	91,855	59,782	240,247	38,444	56,282	(28,536)	1,984,382
Depreciation expenses	10,285	289	652	1,224	6,752	1,337	281	183	21,008
Amortization of goodwill	-	-	2,080	-	(22)	-	1	2,488	4,548
Investment in equity-method affiliates	-	-	-	47	-	-	37,229	673	37,950
Capital expenditures	60,267	8,367	2,264	1,924	13,999	3,216	349	324	90,713

Year ended March 31, 2017	Yen (millions)								
	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 income	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 equity-method affiliates	-	-	-	55	-	-	47,936	626	48,618
Capital expenditures	36,332	1,191	1,895	1,215	17,821	1,420	832	750	61,459

Year ended March 31, 2017	U.S. dollars (thousands)								
	Urban Development	Residential	Property Management	Real-Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/Headquarters	Consolidated
Revenues:									
Third party customers	2,203,768	968,696	1,246,946	716,000	837,866	862,277	383,205	-	7,218,777
Inter-segment	19,625	482	80,143	16,750	5,125	5,286	59,589	(187,027)	-
Total	2,223,402	969,179	1,327,089	732,759	843,000	867,563	442,795	(187,027)	7,218,777
Operating income	400,482	86,277	72,134	100,821	67,652	2,259	(17,045)	(58,786)	653,813
Total assets	12,461,071	1,504,304	812,750	592,929	2,242,482	350,911	844,705	(352,464)	18,456,714
Depreciation expenses	106,268	3,161	10,000	10,661	63,071	13,500	920	2,482	210,080
Amortization of goodwill	4,571	-	17,161	-	(116)	-	9	22,214	43,848
Investment in equity-method affiliates	-	-	-	491	-	-	428,000	5,589	434,089
Capital expenditures	324,393	10,634	16,920	10,848	159,116	12,679	7,429	6,696	548,741

Independent Auditor's Report



Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

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, 2017, 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, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 15, 2017
Tokyo, Japan