

Consolidated Financial Statements

Consolidated Balance Sheet

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands)
	As of March 31, 2018	As of March 31, 2019	(Note 2) As of March 31, 2019
Assets			
Current assets			
Cash and deposits (Note 7)	¥ 62,785	¥ 185,091	\$ 1,682,645
Notes and accounts receivable - trade	31,042	33,766	306,964
Securities (Notes 3, 10, 17)	15,831	17,480	158,909
Merchandise	11,759	12,107	110,064
Real estate for sale (Notes 7, 10)	207,705	229,459	2,085,991
Real estate for sale in process	260,138	331,980	3,018,000
Costs on uncompleted construction contracts	5,858	6,564	59,673
Supplies	746	791	7,191
Other	54,084	55,585	505,318
Allowance for doubtful accounts	(110)	(88)	(800)
Total current assets	649,841	872,740	7,934,000
Non-current assets			
Property, plant and equipment			
Buildings and structures	404,150	413,188	3,756,255
Accumulated depreciation	(179,695)	(190,587)	(1,732,609)
Buildings and structures, net (Note 7)	224,455	222,601	2,023,645
Land (Notes 6, 7)	813,087	722,691	6,569,918
Construction in progress (Note 7)	79,430	129,299	1,175,445
Other	64,322	75,660	687,818
Accumulated depreciation	(40,624)	(44,051)	(400,464)
Other, net	23,698	31,608	287,345
Total property, plant and equipment (Notes 10, 21)	1,140,671	1,106,201	10,056,373
Intangible assets			
Leasehold right (Note 7)	8,758	19,129	173,900
Goodwill	82,553	77,131	701,191
Other	16,186	17,033	154,845
Total intangible assets (Note 10)	107,498	113,294	1,029,945
Investments and other assets			
Investment securities (Notes 7, 10, 17)	159,863	180,720	1,642,909
Long-term loans receivable (Note 7)	282	266	2,418
Leasehold and guarantee deposits	72,829	89,310	811,909
Retirement benefit asset (Note 19)	821	118	1,073
Deferred tax assets (Note 20)	17,423	18,596	169,055
Other	24,343	24,004	218,218
Allowance for doubtful accounts	(351)	(359)	(3,264)
Total investments and other assets	275,213	312,657	2,842,336
Total non-current assets	1,523,383	1,532,153	13,928,664
Deferred assets			
Share issuance cost	-	355	3,227
Total deferred assets	-	355	3,227
Total assets	¥2,173,225	¥2,405,249	\$21,865,900

Account title	Yen (millions)		U.S. dollars (thousands)
	As of March 31, 2018	As of March 31, 2019	(Note 2) As of March 31, 2019
Liabilities			
Current liabilities			
Notes and accounts payable - trade	¥ 36,977	¥ 45,765	\$ 416,045
Short-term loans payable (Notes 7, 8, 9)	179,532	163,275	1,484,318
Current portion of bonds (Note 8)	10,000	20,000	181,818
Accounts payable - other	29,892	31,503	286,391
Income taxes payable	8,739	14,179	128,900
Advances received	41,292	46,488	422,618
Deposits received from consignment sales	10,353	34,201	310,918
Deposits received	28,556	33,761	306,918
Deposits received for special joint ventures	17,500	14,000	127,273
Provision for bonuses	9,839	11,263	102,391
Provision for bonuses for directors (and other officers)	224	234	2,127
Provision for warranties for completed construction	297	746	6,782
Other provision	1,674	3,602	32,745
Other	19,468	16,727	152,064
Total current liabilities	394,348	435,750	3,961,364
Non-current liabilities			
Bonds payable (Notes 7, 8)	185,825	185,825	1,689,318
Long-term loans payable (Notes 7, 8)	835,018	920,707	8,370,064
Deferred tax liabilities (Note 20)	29,131	30,641	278,555
Deferred tax liabilities for land revaluation (Note 6)	4,980	4,980	45,273
Long-term leasehold and guarantee deposits	179,963	197,598	1,796,345
Deposits received for special joint ventures	14,000	-	-
Retirement benefit liability (Note 19)	29,646	29,262	266,018
Provision for loss on guarantees	17	21	191
Provision for retirement benefits for directors (and other officers)	67	55	500
Other (Note 7)	24,881	31,709	288,264
Total non-current liabilities	1,303,531	1,400,801	12,734,555
Total liabilities	1,697,879	1,836,551	16,695,918
Net assets			
Shareholders' equity (Note 23)			
Capital stock	60,000	77,562	705,109
Capital surplus	119,188	166,675	1,515,227
Retained earnings	270,095	298,411	2,712,827
Treasury shares	(2,197)	(367)	(3,336)
Total shareholders' equity	447,087	542,281	4,929,827
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	13,796	15,183	138,027
Deferred gains or losses on hedges (Note 18)	(169)	(1,066)	(9,691)
Revaluation reserve for land (Note 6)	8,067	8,067	73,336
Foreign currency translation adjustment	1,319	(1,304)	(11,855)
Remeasurements of defined benefit plans (Note 19)	(1,959)	(1,754)	(15,945)
Total accumulated other comprehensive income	21,053	19,124	173,855
Non-controlling interests	7,204	7,292	66,291
Total net assets	475,345	568,698	5,169,982
Total liabilities and net assets	¥2,173,225	¥2,405,249	\$21,865,900

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Income

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands)
	2018 (From April 1, 2017 to March 31, 2018)	2019 (From April 1, 2018 to March 31, 2019)	2019 (From April 1, 2018 to March 31, 2019) (Note 2)
Operating revenue	¥866,126	¥901,884	\$8,198,945
Operating cost (Note 11)	683,650	708,435	6,440,318
Operating gross profit	182,476	193,448	1,758,618
Selling, general and administrative expenses	104,956	113,243	1,029,482
Operating profit	77,519	80,205	729,136
Non-operating income			
Interest income	116	139	1,264
Dividend income	533	712	6,473
Share of profit of entities accounted for using equity method	190	204	1,855
Subsidy income	59	616	5,600
Other	530	720	6,545
Total non-operating income	1,430	2,392	21,745
Non-operating expenses			
Interest expenses	7,936	9,291	84,464
Foreign exchange losses	883	444	4,036
Other	1,438	2,115	19,227
Total non-operating expenses	10,258	11,852	107,745
Ordinary profit	68,691	70,744	643,127
Extraordinary income			
Gain on sales of non-current assets	18	117	1,064
Gain on sales of investment securities	28	–	–
Total extraordinary income	47	117	1,064
Extraordinary losses			
Impairment loss (Note 12)	8,037	7,768	70,618
Other	1,292	1,875	17,045
Total extraordinary losses	9,329	9,644	87,673
Profit before income taxes	59,409	61,218	556,527
Income taxes – current	17,950	24,063	218,755
Income taxes – deferred (Note 20)	6,080	(198)	(1,800)
Total income taxes (Note 20)	24,031	23,865	216,955
Profit	35,377	37,353	339,573
Profit (loss) attributable to non-controlling interests	192	(105)	(955)
Profit attributable to owners of parent	¥ 35,185	¥ 37,459	\$ 340,536

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)
	2018 (From April 1, 2017 to March 31, 2018)	2019 (From April 1, 2018 to March 31, 2019)	2019 (From April 1, 2018 to March 31, 2019) (Note 2)
Profit	¥35,377	¥37,353	\$339,573
Other comprehensive income			
Valuation difference on available-for-sale securities	(1,996)	1,387	12,609
Deferred gains or losses on hedges	(8)	(916)	(8,327)
Foreign currency translation adjustment	1,921	(1,369)	(12,445)
Remeasurements of defined benefit plans, net of tax	715	204	1,855
Share of other comprehensive income of entities accounted for using equity method	(1,673)	(1,279)	(11,627)
Total other comprehensive income (Note 13)	(1,040)	(1,973)	(17,936)
Comprehensive income	34,337	35,379	321,627
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	34,126	35,529	322,991
Comprehensive income attributable to non-controlling interests	¥ 210	¥ (150)	\$ (1,364)

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Tokyu Fudosan Holdings Corporation

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					
Issuance of new shares					–
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
Changes of items during period								
Issuance of new shares								–
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

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

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	¥119,188	¥270,095	¥(2,197)	¥447,087
Changes of items during period					
Issuance of new shares	17,562	17,562			35,124
Dividends of surplus			(9,143)		(9,143)
Profit attributable to owners of parent			37,459		37,459
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		29,930		1,831	31,761
Change in ownership interest of parent due to transactions with non-controlling interests		(5)			(5)
Reversal of revaluation reserve for land					–
Net changes of items other than shareholders' equity					–
Total changes of items during period	17,562	47,486	28,315	1,829	95,194
Balance at end of current period	¥77,562	¥166,675	¥298,411	¥ (367)	¥542,281

Account title	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	Balance at beginning of current period	¥13,796	¥ (169)	¥8,067	¥1,319	¥(1,959)	¥21,053	¥7,204
Changes of items during period								
Issuance of new shares								35,124
Dividends of surplus								(9,143)
Profit attributable to owners of parent								37,459
Purchase of treasury shares								(1)
Disposal of treasury shares								31,761
Change in ownership interest of parent due to transactions with non-controlling interests								(5)
Reversal of revaluation reserve for land								–
Net changes of items other than shareholders' equity	1,387	(897)	–	(2,623)	204	(1,929)	87	(1,841)
Total changes of items during period	1,387	(897)	–	(2,623)	204	(1,929)	87	93,352
Balance at end of current period	¥15,183	¥(1,066)	¥8,067	¥(1,304)	¥(1,754)	¥19,124	¥7,292	¥568,698

Consolidated Statement of Changes in Net Assets

Tokyu Fudosan Holdings Corporation

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

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	\$545,455	\$1,083,527	\$2,455,409	\$(19,973)	\$4,064,427
Changes of items during period					
Issuance of new shares	159,655	159,655			319,309
Dividends of surplus			(83,118)		(83,118)
Profit attributable to owners of parent			340,536		340,536
Purchase of treasury shares				(9)	(9)
Disposal of treasury shares		272,091		16,645	288,736
Change in ownership interest of parent due to transactions with non-controlling interests		(45)			(45)
Reversal of revaluation reserve for land					–
Net changes of items other than shareholders' equity					–
Total changes of items during period	159,655	431,691	257,409	16,627	865,400
Balance at end of current period	\$705,109	\$1,515,227	\$2,712,827	\$(3,336)	\$4,929,827

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	\$125,418	\$(1,536)	\$73,336	\$ 11,991	\$(17,809)	\$191,391	\$65,491
Changes of items during period								
Issuance of new shares								319,309
Dividends of surplus								(83,118)
Profit attributable to owners of parent								340,536
Purchase of treasury shares								(9)
Disposal of treasury shares								288,736
Change in ownership interest of parent due to transactions with non-controlling interests								(45)
Reversal of revaluation reserve for land								–
Net changes of items other than shareholders' equity	12,609	(8,155)	–	(23,845)	1,855	(17,536)	791	(16,736)
Total changes of items during period	12,609	(8,155)	–	(23,845)	1,855	(17,536)	791	848,655
Balance at end of current period	\$138,027	\$(9,691)	\$73,336	\$(11,855)	\$(15,945)	\$173,855	\$66,291	\$5,169,982

Consolidated Statement of Cash Flows

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands) (Note 2)
	2018 (From April 1, 2017 to March 31, 2018)	2019 (From April 1, 2018 to March 31, 2019)	2019 (From April 1, 2018 to March 31, 2019)
	Cash flows from operating activities		
Profit before income taxes	¥ 59,409	¥ 61,218	\$ 556,527
Depreciation	23,133	24,567	223,336
Amortization of goodwill	5,421	5,421	49,282
Share of loss (profit) of entities accounted for using equity method	(190)	(204)	(1,855)
Increase (decrease) in net defined benefit liability	583	338	3,073
Increase (decrease) in other provision	657	1,415	12,864
Impairment loss	8,037	7,768	70,618
Loss on valuation of inventories	3,200	2,416	21,964
Loss on retirement of non-current assets	2,716	1,073	9,755
Interest and dividend income	(649)	(851)	(7,736)
Interest expenses	7,936	9,291	84,464
Decrease (increase) in notes and accounts receivable–trade	(3,236)	(3,805)	(34,591)
Decrease (increase) in inventories	(70,734)	(55,586)	(505,327)
Increase (decrease) in notes and accounts payable–trade	(3,798)	7,635	69,409
Increase (decrease) in deposits received for consignment sales	2,820	23,847	216,791
Increase (decrease) in deposits received for special joint ventures	2,400	(17,500)	(159,091)
Other, net	1,015	4,118	37,436
Subtotal	38,723	71,166	646,964
Interest and dividend income received	504	1,104	10,036
Interest expenses paid	(7,741)	(9,366)	(85,145)
Income taxes paid	(19,221)	(18,380)	(167,091)
Net cash provided by (used in) operating activities	¥ 12,265	¥ 44,522	\$ 404,745
Cash flows from investing activities			
Payments of loans receivable	(245)	(13)	(118)
Collection of loans receivable	3,267	28	255
Purchase of short-term and long-term investment securities	(48,847)	(24,672)	(224,291)
Proceeds from sales and redemption of short-term and long-term investment securities	1,103	5,748	52,255
Payments for leasehold and guarantee deposits	(8,692)	(9,557)	(86,882)
Proceeds from collection of leasehold and guarantee deposits	4,424	5,061	46,009
Purchase of non-current assets	(47,965)	(74,957)	(681,427)
Proceeds from sales of non-current assets	44	37,769	343,355
Other, net	487	202	1,836
Net cash provided by (used in) investing activities	¥(96,423)	¥(60,389)	\$(548,991)

Consolidated Statement of Cash Flows

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands)
	2018 (From April 1, 2017 to March 31, 2018)	2019 (From April 1, 2018 to March 31, 2019)	2019 (From April 1, 2018 to March 31, 2019) (Note 2)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	¥(14,982)	¥ 3,042	\$ 27,655
Net increase (decrease) in commercial papers	(60,000)	—	—
Proceeds from long-term loans payable	255,197	213,159	1,937,809
Repayments of long-term loans payable	(155,022)	(152,260)	(1,384,182)
Proceeds from long-term lease and guarantee deposited	27,752	24,497	222,700
Repayments of long-term lease and guarantee deposited	(19,604)	(15,159)	(137,809)
Proceeds from issuance of bonds	75,825	20,000	181,818
Redemption of bonds	(20,000)	(10,100)	(91,818)
Cash dividends paid	(8,223)	(9,143)	(83,118)
Proceeds from share issuance to non-controlling shareholders	3,071	746	6,782
Dividends paid to non-controlling interests	(211)	(70)	(636)
Repayments of finance lease obligations	(1,398)	(1,555)	(14,136)
Payments for investments in silent partnership that do not result in change in scope of consolidation	—	(421)	(3,827)
Proceeds from issuance of common shares	—	47,213	429,209
Purchase of treasury shares	(2)	(1)	(9)
Proceeds from disposal of treasury shares	0	19,148	174,073
Net cash provided by (used in) financing activities	¥ 82,400	¥139,093	\$1,264,482
Effect of exchange rate change on cash and cash equivalents	1,743	(155)	(1,409)
Net increase (decrease) in cash and cash equivalents	¥ (13)	¥123,071	\$1,118,827
Cash and cash equivalents at beginning of period	61,865	61,729	561,173
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(122)	—	—
Cash and cash equivalents at end of period (Note 14)	¥ 61,729	¥184,800	\$1,680,000

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 145 consolidated subsidiaries as of March 31, 2019. The following companies have become consolidated subsidiaries: Silent Partnerships of Kesenuma Urushihara, Kesenuma Izumisawa, Jack, Diocorina, Kakegawa Wind power development, Zeas, Ichinoseki Daito, Orb, and TLCM1 are treated as consolidated subsidiaries following new investments in them. Mie Matsuo became a consolidated subsidiary due to additional investment. Tokyu Livable US, Inc., Tokyu Livable Texas Investment Advisors, LLC, TFCM SINGAPORE PTE.LTD., TLUS Renton Holdings, LLC, TLUS Renton, LLC, TLUS Portland Holdings, LLC, TLUS Portland, LLC, Tokyu Land Asia Pte. Ltd., TLUS Midtown Atlanta LLC, TLUS Vinings LLC, TLUS Fort Worth, LLC, and Tokyu Small-amount Short-term Insurance Co., Ltd. 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: TS Community Corp. is excluded from the scope of consolidation after it ceased to exist following an absorption-type merger with Community One Co., Ltd. as the surviving company. So are K.K. Homic and Nasic

Educational Solution Co., Ltd. after it ceased to exist following an absorption-type merger with NATIONAL STUDENTS INFORMATION CENTER as the surviving company; Since the settlement of TLC Pasadena LLC, TLC-MAC Union street, LLC, TLC-MAC Union street GP, LLC and TLC-MAC Union street, LP has been completed, Silent Partnerships of Libra has sold the involved assets and has completed the liquidation. Each is excluded from the scope of consolidation.

(c) Securities

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

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

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

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

(d) Inventories

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

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

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

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

Most of estimated useful lives are as follows:

Buildings and structures 3 to 65 years

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

(f) Intangible Assets (except for leased assets)

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

(g) Leases

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

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

(h) Deferred assets

Share issuance cost is amortized by the straight-line method over three years.

Bond issuance costs are charged to income as incurred.

(i) Allowance for Doubtful Accounts

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

(j) Provision for Bonuses

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

(k) Provision for Warranties for Completed Construction

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

(l) 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.

(m) Recognition of Revenue

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

(n) Foreign Currency Translation

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

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

(o) Derivative Financial Instruments

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

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

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

(p) Amortization of Goodwill

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

(q) Cash and Cash Equivalents

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

(r) Income Taxes

Deferred tax assets and liabilities are determined based on differences between the carrying amounts and the tax bases of the assets and liabilities, using the enacted tax rates in effect for the year in which those temporary differences are expected to be reversed. Deferred tax assets are also recognized for the estimated future tax effects

attributable to tax operating loss carry forwards. Valuation allowances are provided in order to reduce the deferred tax assets in case some or all are not realized.

(s) Reclassification

Certain reclassifications have been made to the previous year's consolidated financial statements to conform to the presentation used for the year ended March 31, 2019.

(t) Changes in presentation method

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018; hereinafter "Partial Amendments to Accounting Standard for Tax Effect Accounting") effective from the beginning of the consolidated fiscal year ended March 31, 2019. Deferred tax assets are presented under investments and other assets, deferred tax liabilities are presented under non-current liabilities, and the note on income taxes has been changed.

As a result, in the consolidated balance sheet of the previous consolidated fiscal year, deferred tax assets under current assets of ¥8,712 million are included in deferred tax assets under investments and other assets of ¥17,423 million. Deferred tax liabilities under current liabilities of ¥1,766 million are included in deferred tax liabilities under non-current liabilities of ¥29,131 million. Due to the offset of deferred tax assets and deferred tax liabilities of the same taxable entity, total assets decreased by ¥3,536 million.

In addition, the contents of Note 8 (excluding the total amount of valuation allowance) and Note 9 in the "Accounting Standard for Tax Effect Accounting" stipulated in Paragraphs 3 to 5 of the Partial Amendments to Accounting Standard for Tax Effect Accounting have been added to the notes on income taxes. Of the contents concerned, however, that pertaining to the previous consolidated fiscal year is not disclosed in accordance with the transitional treatment stipulated in Paragraph 7 of the Partial Amendments to Accounting Standard for Tax Effect Accounting.

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 ¥110=U.S. \$1.00, the approximate exchange rate prevailing on the

Tokyo Foreign Exchange Market on March 31, 2019. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars at that rate.

3. Investments in Silent Partnerships and Operational Investment Securities

Investments in silent partnerships and TMKs holding properties for sale, and operational investment securities included in securities at March 31, 2018 and 2019 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Investments in silent partnership	4,489	4,730	43,000
Securities	¥10,921	¥12,706	\$115,509

4. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in and loans to unconsolidated subsidiaries and affiliates at March 31, 2018 and 2019 consisted of the following:

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Investment securities	¥75,612	¥83,263	\$756,936

5. Contingent Liabilities

At March 31, 2018 and 2019 the Company and consolidated subsidiaries have the following contingent liabilities:

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Guarantee of loans on behalf of:			
Individual customers for principally housing loans	¥ 85	¥ 16	\$ 145
Employees for their purchase of residential houses	4	1	9
PT. TTL Residences	183	173	1,573
425 Park Owner LLC	9,859	10,300	93,636
PT. Tokyu Land Indonesia*	5,850	–	–
Shiba Park TMK	10,000	10,000	90,909
Mizuho Trust & Banking Co., Ltd. : The real-estate trust beneficiary company	5,500	5,500	50,000
Yonago Biomass power plant Joint company	–	998	9,073
Rhapsody TMK	–	3,000	27,273
	¥31,483	¥29,991	\$272,645

* 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).

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

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

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, 2018 and 2019 respectively. As such, the difference is not stated.

7. Pledged Assets and Secured Liabilities

Pledged assets and secured liabilities at March 31, 2018 and 2019 are summarized as follows:

(1) Pledged assets

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Cash and deposits	¥ 292	¥ 1,516	\$ 13,782
Inventories (Real estate for sale)	18,909	25,343	230,391
Buildings and structures	92,543	84,391	767,191
Land	583,485	533,830	4,853,000
Construction in progress	–	11,126	101,145
Leasehold right	–	9,510	86,455
Investment securities	170	136	1,236
Long-term loans receivable	207	193	1,755
	¥695,608	¥666,049	\$6,054,991

(2) Secured liabilities

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Short-term loans payable	¥ 24,120	¥ 38,926	\$ 353,873
Bonds payable	5,825	5,825	52,955
Long-term loans payable	337,184	321,674	2,924,309
Other non-current liabilities	2,261	2,261	20,555
	¥369,391	¥368,687	\$3,351,700

In addition to the above, Investment securities of ¥767 million and ¥294 million (U.S. \$2,673 thousand) at March 31, 2018 and 2019, 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)
	2018	2019	2019
Real estate for sale	¥2,261	¥2,261	\$20,555
Other non-current liabilities	¥2,261	¥2,261	\$20,555

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)
	2018	2019	2019
Short-term loans payable (Current portion of long-term loans payable)	¥ 24,034	¥ 39,086	\$ 355,327
Bonds payable	5,825	5,825	52,955
Long-term loans payable	¥337,184	¥321,514	\$2,922,855

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

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Cash and deposits	¥ 292	¥ 1,516	\$ 13,782
Real estate for sale	15,629	22,433	203,936
Land	580,658	533,830	4,853,000
Buildings and structures	91,577	84,391	767,191
Construction in progress	–	11,126	101,145
Leasehold right	–	9,510	86,455
Investment securities	¥ –	¥ 0	\$ 0

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

Short-term loans payable at March 31, 2018 (¥78,197 million) and 2019 (¥80,485 million (\$731,682 thousand)) consist of loans principally from banks with weighted average interest rates of 1.74% in 2019.

Long-term debt at March 31, 2018 and 2019 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
0.390% unsecured corporate bond, maturing 2019	¥ 10,000	¥ –	\$ –
0.639% unsecured corporate bond, maturing 2021	10,000	10,000	90,909
0.298% unsecured corporate bond, maturing 2020	10,000	10,000	90,909
0.856% unsecured corporate bond, maturing 2025	10,000	10,000	90,909
0.968% unsecured corporate bond, maturing 2026	10,000	10,000	90,909
0.371% unsecured corporate bond, maturing 2021	10,000	10,000	90,909
0.190% unsecured corporate bond, maturing 2022	10,000	10,000	90,909
0.780% unsecured corporate bond, maturing 2032	10,000	10,000	90,909
0.800% unsecured corporate bond, maturing 2032	10,000	10,000	90,909
0.180% unsecured corporate bond, maturing 2022	10,000	10,000	90,909
0.001% unsecured corporate bond, maturing 2020	10,000	10,000	90,909
0.455% unsecured corporate bond, maturing 2027	10,000	10,000	90,909
0.160% unsecured corporate bond, maturing 2023	10,000	10,000	90,909
0.790% unsecured corporate bond, maturing 2033	10,000	10,000	90,909
0.410% unsecured corporate bond, maturing 2028	10,000	10,000	90,909
0.170% unsecured corporate bond, maturing 2023	10,000	10,000	90,909
0.780% unsecured corporate bond, maturing 2033	10,000	10,000	90,909
0.390% unsecured corporate bond, maturing 2028	10,000	10,000	90,909
0.980% unsecured corporate bond, maturing 2038	10,000	10,000	90,909
0.180% unsecured corporate bond, maturing 2024	–	10,000	90,909
0.455% unsecured corporate bond, maturing 2029	–	10,000	90,909
0.199% specified corporate bond issued by special purpose company, maturing 2021	5,825	5,825	52,955
Loans principally from Japanese banks and insurance companies (including loans in foreign currencies), maturing 2021 to 2038 with weighted average interest rates of 0.65% in 2019.			
Secured	361,305	360,600	3,278,191
Unsecured	575,049	642,896	5,844,509
	1,132,179	1,209,322	10,993,836
Less current portion	(111,335)	(102,790)	(934,455)
	¥1,020,843	¥1,106,532	\$10,059,382

The aggregate annual maturity of long-term debt after March 31, 2020 are as follows:

Year ending March 31,	Yen (millions)	U.S. dollars (thousands)
2021	¥ 118,740	\$ 1,079,455
2022	89,232	811,200
2023	141,164	1,283,309
2024	135,628	1,232,982
2025 and thereafter	621,766	5,652,418
	¥1,106,532	\$10,059,382

9. Commitment Lines

The Company and certain consolidated subsidiaries entered into contracts for overdraft with 28 banks at March 31, 2018 and 2019 and commitment lines with 3 banks at March 31, 2018 and 2019 respectively. These contracts at March 31, 2018 and 2019 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Limit of overdraft	¥259,019	¥261,219	\$2,374,718
Line of credit	54,000	54,000	490,909
Borrowing outstanding	44,297	43,807	398,245
Available commitment lines	¥268,722	¥271,412	\$2,467,382

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)
	2018	2019	2019
From property, plant and equipment to real estate for sale	¥ 7,353	¥ 42,297	\$ 384,518
From intangible assets to real estate for sale	861	–	–
From real estate for sale to property, plant and equipment	–	2,868	26,073
From securities to investment securities	¥ –	¥ 519	\$ 4,718

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)
	2018	2019	2019
Loss on valuation of inventories	¥ 3,200	¥ 2,416	\$ 21,964

12. Impairment Loss on Fixed 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 of ¥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%.

2019

For the year ended March 31, 2019, the Company recognized impairment loss on fixed assets in the following asset groups:

Primary use	Type	Location	Impairment loss Yen (millions)	Impairment loss U.S. dollars (thousands)
Golf course	Land, buildings and structures, other fixed assets	Miki-shi, Hyogo	¥4,852	\$44,109
Leased assets	Buildings and structures, other fixed assets	Shibuya-ku, Tokyo	¥1,922	\$17,473
Others (9 assets)	Land, buildings and structures, other fixed assets	Other area	¥ 993	\$ 9,027

To determine impairment losses, assets are divided into groups that are minimal units that generate cash flows independently of other assets and asset groups. Consequently, the Group wrote down the carrying amounts of 11 asset groups to their recoverable values. These asset groups were those where sales or retirement were planned, and those where losses were recorded from operating activities for consecutive years. The amounts written down were recorded

as impairment loss of ¥7,768 million (\$70,618 thousand).

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

13. Other Comprehensive Income

The following table presents components of other comprehensive income for the year ended March 31, 2018 and 2019:

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

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥(2,877)	¥ 1,998	\$ 18,164
Reclassification to income for the year	(3)	–	–
Total valuation difference on available-for-sale securities	(2,880)	1,998	18,164
Deferred gains or losses on hedges:			
Amount arising during the year	(11)	(1,320)	(12,000)
Reclassification to income for the year	–	–	–
Total deferred gains or losses on hedges	(11)	(1,320)	(12,000)
Foreign currency translation adjustment:			
Amount arising during the year	1,921	(1,002)	(9,109)
Reclassification to income for the year	–	(367)	(3,336)
Total foreign currency translation adjustment	1,921	(1,369)	(12,445)
Remeasurements of defined benefits:			
Amount arising during the year	(229)	(461)	(4,191)
Reclassification to income for the year	1,204	690	6,273
Total remeasurements of defined benefits	974	228	2,073
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	(1,673)	(1,279)	(11,627)
Reclassification to income for the year	–	–	–
Total share of other comprehensive income of entities accounted for using equity method	(1,673)	(1,279)	(11,627)
Amount before tax effect	(1,669)	(1,742)	(15,836)
Tax effect	629	(231)	(2,100)
Total accumulated other comprehensive income	¥(1,040)	¥(1,973)	\$(17,936)

(2) Tax effect of other comprehensive income

	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)

	Yen (millions)		
	2019		
	Before tax effect	Tax effect	After tax effect
Valuation difference on available-for-sale securities	¥ 1,998	¥ (611)	¥ 1,387
Deferred gains or losses on hedges	(1,320)	404	(916)
Foreign currency translation adjustment	(1,369)	–	(1,369)
Remeasurements of defined benefit plans	228	(24)	204
Share of other comprehensive income of entities accounted for using equity method	(1,279)	–	(1,279)
Total accumulated other comprehensive income	¥ (1,742)	¥ (231)	¥ (1,973)

	U.S. dollars (thousands)		
	2019		
	Before tax effect	Tax effect	After tax effect
Valuation difference on available-for-sale securities	\$ 18,164	\$(5,555)	\$ 12,609
Deferred gains or losses on hedges	(12,000)	3,673	(8,327)
Foreign currency translation adjustment	(12,445)	–	(12,445)
Remeasurements of defined benefit plans	2,073	(218)	1,855
Share of other comprehensive income of entities accounted for using equity method	(11,627)	–	(11,627)
Total accumulated other comprehensive income	\$(15,836)	\$(2,100)	\$(17,936)

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, 2018 and 2019 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Cash and deposits	¥62,785	¥185,091	\$1,682,645
Time deposits with maturity over three months	(1,085)	(321)	(2,918)
Short-term loans receivable	30	30	273
Cash and cash equivalents	¥61,729	¥184,800	\$1,680,000

The details of significant non-cash transactions

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
The amount transferred from property, plant and equipment to real estate for sale due to change in purpose of holding the real estate	¥8,214	¥42,297	\$384,518
The amount transferred from real estate for sale to property, plant and equipment due to change in purpose of holding the real estate.	–	2,868	26,073
The amount transferred from securities to investment securities due to change in purpose of holdings the securities	–	519	4,718
Assets related to finance leases	1,343	5,097	46,336
Liabilities related to finance leases	¥1,478	¥ 6,234	\$ 56,673

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, 2018 and 2019 are as follows:

(1) Acquisition cost, accumulated depreciation, accumulated impairment loss, and carrying amount of leased properties (mainly office equipment) at March 31, 2018 and 2019 if they were capitalized

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Acquisition cost	¥7,174	¥6,251	\$56,827
Accumulated depreciation	3,804	3,666	33,327
Carrying amount	¥3,369	¥2,584	\$23,491

(2) Future lease payments at March 31, 2018 and 2019

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Due within one year	¥ 590	¥ 517	\$ 4,700
Due after one year	4,937	3,717	33,791
Total	¥5,528	¥4,234	\$38,491

(3) Amount of lease payments, reversal of impairment loss account on leased assets, depreciation expense equivalent, and interest expenses equivalent thereof at March 31, 2018 and 2019

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Lease payments	¥ 596	¥ 517	\$ 4,700
Reversal of impairment loss account on leased assets	-	-	-
Depreciation expense equivalent	362	312	2,836
Interest expenses equivalent	¥ 242	¥ 192	\$ 1,745

(Operating Lease Transactions as lessee)

Future lease payments of non-cancellable leases at March 31, 2018 and 2019 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Due within one year	¥ 23,021	¥ 25,194	\$ 229,036
Due after one year	337,849	428,773	3,897,936
Total	¥360,870	¥453,968	\$4,126,982

(Operating Lease Transactions as lessor)

Future lease payments of non-cancellable leases to be received at March 31, 2018 and 2019 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Due within one year	¥ 30,702	¥ 30,230	\$ 274,818
Due after one year	100,349	88,364	803,309
Total	¥131,052	¥118,595	\$1,078,136

16. Financial Instruments

Financial instruments at March 31, 2018 and 2019 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, 2019 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	¥ 185,091	¥ 185,091	¥ -
(2) Securities and investment securities			
Held-to-maturity securities	238	240	2
Available-for-sale securities	68,591	68,591	-
Total assets	¥ 253,921	¥ 253,923	¥ 2
(1) Short-term loans payable	80,485	80,485	-
(2) Bonds payable	205,825	207,038	1,213
(3) Long-term loans payable	1,003,497	1,011,818	8,321
Total liabilities	¥1,289,807	¥1,299,342	¥9,535
Derivatives			
Derivatives to which hedge accounting is not applied	(328)	(328)	-
Derivatives to which hedge accounting is applied	¥ (1,564)	¥ (1,564)	¥ -

(3) Amount of lease payments, reversal of impairment loss account on leased assets, depreciation expense equivalent, and interest expenses equivalent thereof at March 31, 2018 and 2019

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Lease payments	¥ 596	¥ 517	\$ 4,700
Reversal of impairment loss account on leased assets	-	-	-
Depreciation expense equivalent	362	312	2,836
Interest expenses equivalent	¥ 242	¥ 192	\$ 1,745

(Operating Lease Transactions as lessee)

Future lease payments of non-cancellable leases at March 31, 2018 and 2019 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Due within one year	¥ 23,021	¥ 25,194	\$ 229,036
Due after one year	337,849	428,773	3,897,936
Total	¥360,870	¥453,968	\$4,126,982

(Operating Lease Transactions as lessor)

Future lease payments of non-cancellable leases to be received at March 31, 2018 and 2019 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Due within one year	¥ 30,702	¥ 30,230	\$ 274,818
Due after one year	100,349	88,364	803,309
Total	¥131,052	¥118,595	\$1,078,136

16. Financial Instruments

Financial instruments at March 31, 2018 and 2019 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, 2019 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	¥ 185,091	¥ 185,091	¥ -
(2) Securities and investment securities			
Held-to-maturity securities	238	240	2
Available-for-sale securities	68,591	68,591	-
Total assets	¥ 253,921	¥ 253,923	¥ 2
(1) Short-term loans payable	80,485	80,485	-
(2) Bonds payable	205,825	207,038	1,213
(3) Long-term loans payable	1,003,497	1,011,818	8,321
Total liabilities	¥1,289,807	¥1,299,342	¥9,535
Derivatives			
Derivatives to which hedge accounting is not applied	(328)	(328)	-
Derivatives to which hedge accounting is applied	¥ (1,564)	¥ (1,564)	¥ -

	U.S. dollars (thousands)		
	Book value	Estimated fair value	Difference
(1) Cash and deposits	\$ 1,682,645	\$ 1,682,645	\$ -
(2) Securities and investment securities			
Held-to-maturity securities	2,164	2,182	18
Available-for-sale securities	623,555	623,555	-
Total assets	\$ 2,308,373	\$ 2,308,391	\$ 18
(1) Short-term loans payable	731,682	731,682	-
(2) Bonds payable	1,871,136	1,882,164	11,027
(3) Long-term loans payable	9,122,700	9,198,345	75,645
Total liabilities	\$ 11,725,518	\$ 11,812,200	\$ 86,682
Derivatives			
Derivatives to which hedge accounting is not applied	(2,982)	(2,982)	-
Derivatives to which hedge accounting is applied	\$ (14,218)	\$ (14,218)	\$ -

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. Derivatives.

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

	Yen (millions)	U.S. dollars (thousands)
Operational investment securities	¥ 3,050	\$ 27,727
Unlisted stocks – current	9,656	87,782
Unlisted stocks – non-current	108,685	988,045
Investments in silent partnerships – current	4,730	43,000
Investments in silent partnerships – non-current	¥ 3,248	\$ 29,527

Because no quoted market price is available and future cash flows cannot be estimated, it is extremely difficult to determine the fair value. Therefore, the above financial instruments are not included in the table of financial instruments with estimated fair values.

	Yen (millions)	U.S. dollars (thousands)
Lease and guarantee deposits	¥ 89,310	\$ 811,909
Long-term lease and guarantee deposited	¥ 197,598	\$ 1,796,345

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, 2019.

	Yen (millions)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 185,091	¥ -	¥ -	¥ -
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	228	9	-	-
(2) Corporate bonds	-	-	-	-
Available-for-sale securities with maturities				
(1) National and local government bonds	25	11	-	-
(2) Corporate bonds	-	-	-	-
Total	¥ 185,345	¥ 20	¥ -	¥ -

	U.S. dollars (thousands)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	\$ 1,682,645	\$ -	\$ -	\$ -
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	2,073	82	-	-
(2) Corporate bonds	-	-	-	-
Available-for-sale securities with maturities				
(1) National and local government bonds	227	100	-	-
(2) Corporate bonds	-	-	-	-
Total	\$ 1,684,955	\$ 182	\$ -	\$ -

17. Securities

Securities held by the Company as of March 31, 2018 and 2019 are summarized as follows:

(1) Held-to-maturity Securities

	Yen (millions)		
	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

	Yen (millions)		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
National and local government bonds	¥ 238	¥ 240	¥ 2
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	238	240	2
Securities whose fair value does not exceed book value:			
National and local government bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	-	-	-
Total	¥ 238	¥ 240	¥ 2

	U.S. dollars (thousands)		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
National and local government bonds	\$ 2,164	\$ 2,182	\$ 18
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	2,164	2,182	18
Securities whose fair value does not exceed book value:			
National and local government bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	-	-	-
Total	\$ 2,164	\$ 2,182	\$ 18

(2) Available-for-sale securities

	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

	Yen (millions)		
	2019		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥ 68,474	¥ 46,466	¥ 22,008
National and local government bonds	36	35	0
Other	-	-	-
Subtotal	68,510	46,502	22,008
Securities whose book value does not exceed acquisition cost:			
Stocks	80	81	(0)
National and local government bonds	-	-	-
Other	-	-	-
Subtotal	80	81	(0)
Total	¥ 68,591	¥ 46,583	¥ 22,007

	U.S. dollars (thousands)		
	2019		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	\$ 622,491	\$ 422,418	\$ 200,073
National and local government bonds	327	318	9
Other	-	-	-
Subtotal	622,818	422,745	200,073
Securities whose book value does not exceed acquisition cost:			
Stocks	727	736	(9)
National and local government bonds	-	-	-
Other	-	-	-
Subtotal	727	736	(9)
Total	\$ 623,555	\$ 423,482	\$ 200,073

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

Available-for-sale securities	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Operational investment securities	¥ 3,149	¥ 3,050	\$ 27,727
Unlisted stocks, etc	32,532	35,060	318,727
Investments in silent partnerships	¥ 5,190	¥ 7,978	\$ 72,527

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 "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, 2018 and 2019:

2018	Yen (millions)		
	Sales amount	Aggregate gains	Aggregate losses
Stocks	¥ 62	¥ 28	¥ 2
National and local government bonds	-	-	-
Other	-	-	-
Total	¥ 62	¥ 28	¥ 2

2019 Not applicable.

(4) Loss on valuation of securities

Loss on valuation of securities for the years ended March 31, 2018 and 2019:

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Loss on valuation of investment securities (Note)	¥ 10	¥ 274	\$ 2,491

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, 2018 and 2019 are summarized as follows:

(1) Derivatives to which hedge accounting is not applied

Currency-related transactions

		Yen (millions)			
2018	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	¥11,934	¥ 2,340	¥ 185	¥ 185

		Yen (millions)			
2019	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	¥10,040	¥ 6,160	¥ (328)	¥ (328)

		U.S. dollars (thousands)			
2019	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	\$91,273	\$56,000	\$(2,982)	\$(2,982)

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

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

		Yen (millions)				
2019	Hedge accounting method	Type of derivatives	Major hedged items	Contract/ notional amount	Amount due after one year	Fair value
		Forward exchange contract				
	Deffered treatment on hedge	Buy:				
		U.S. dollars	Scheduled transactions in foreign currency	¥ 13,834	¥ 13,772	¥ (889)
		Euro		¥ 197	¥ -	¥ (10)

		U.S. dollars (thousands)				
2019	Hedge accounting method	Type of derivatives	Major hedged items	Contract/ notional amount	Amount due after one year	Fair value
		Forward exchange contract				
	Deffered treatment on hedge	Buy:				
		U.S. dollars	Scheduled transactions in foreign currency	\$125,764	\$125,200	\$(8,082)
		Euro		\$ 1,791	\$ -	\$ (91)

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

Interest rate-related transactions

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

		Yen (millions)				
2019	Hedge accounting method	Type of derivatives	Major hedged items	Contract/ notional amount	Amount due after one year	Fair value
	Deferred treatment on hedge	Interest rate swaps	Long-term debt	¥ 14,785	¥ 14,638	¥ (664)
	Special treatment for interest rate swaps	Receive/floating Pay/fixed		¥ 269,660	¥ 242,217	(Note 1)

		U.S. dollars (thousands)				
2019	Hedge accounting method	Type of derivatives	Major hedged items	Contract/ notional amount	Amount due after one year	Fair value
	Deferred treatment on hedge	Interest rate swaps	Long-term debt	\$ 134,409	\$ 133,073	\$(6,036)
	Special treatment for interest rate swaps	Receive/floating Pay/fixed		\$2,451,455	\$2,201,973	(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 adopt-

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

Defined benefit plan

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

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
1. Principle method			
Retirement benefit obligations at beginning of year	¥34,059	¥34,971	\$ 317,918
Service cost	2,124	2,211	20,100
Interest cost	229	230	2,091
Actuarial loss	96	178	1,618
Retirement benefits paid	(1,806)	(2,205)	(20,045)
The amount of transfer in association with changing from the simplified method to the principle method	41	2	18
Prior service cost that arose in the fiscal year	226	(0)	(0)
Retirement benefit obligations at end of year	¥34,971	¥35,389	\$ 321,718
2. Simplified method			
Retirement benefit obligations at beginning of year	¥1,205	¥ 1,122	\$ 10,200
Retirement benefit cost	103	76	691
Retirement benefits paid	(155)	(130)	(1,182)
The amount of transfer in association with changing from the simplified method to the principle method	(30)	(2)	(18)
Contributions to the system	-	(2)	(18)
Retirement benefit obligations at end of year	¥ 1,122	¥ 1,063	\$ 9,664

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

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Pension assets at beginning of year	¥ 6,846	¥ 7,269	\$ 66,082
Expected return on plan assets	210	225	2,045
Actuarial loss	93	(282)	(2,564)
Contributions from employer	667	652	5,927
Retirement benefits paid	(549)	(556)	(5,055)
Pension assets at end of year	¥ 7,269	¥ 7,309	\$ 66,445

III. Table of reconciliation of retirement benefit obligations and pension assets as of March 31, 2018 and 2019 and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Retirement benefit obligations under the savings-type plan	¥ 9,651	¥ 9,233	\$ 83,936
Plan assets at fair value	(7,269)	(7,309)	(66,445)
	2,381	1,924	17,491
Retirement benefit obligations under the non-savings-type plan	26,442	27,219	247,445
Net amount of liability and asset recorded in the consolidated balance sheet	¥28,824	¥29,143	\$264,936
Net defined benefit liability	¥29,646	¥29,262	\$266,018
Net defined benefit asset	(821)	(118)	(1,073)
Net amount of liability and asset recorded in the consolidated balance sheet	¥28,824	¥29,143	\$264,936

IV. Components of retirement benefit cost for the year ended March 31, 2018 and 2019

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Service cost	¥ 2,124	¥ 2,211	\$ 20,100
Interest cost	229	230	2,091
Expected return on plan assets	(210)	(225)	(2,045)
Amount expensed associated with the change from the simplified method to the principle method	10	-	-
Amortization of actuarial loss	1,149	652	5,927
Amortization of prior service cost	54	38	345
Retirement benefit cost calculated using the simplified method	103	76	691
Retirement benefit cost for the defined benefit plan	¥ 3,460	¥ 2,982	\$ 27,109

V. Remeasurements of defined benefit plans, net of tax

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Prior service cost	¥ 172	¥ (38)	\$ (345)
Actuarial loss	(1,146)	(190)	(1,727)
Total	¥ (974)	¥ (228)	\$ (2,073)

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, 2018 and 2019.

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Unrecognized prior service cost	¥ (280)	¥ (242)	\$ (2,200)
Unrecognized actuarial loss	(2,119)	(1,928)	(17,527)
Total	¥(2,400)	¥(2,171)	\$ (19,736)

VII. Pension assets

1. The ratio by major category of the total pension assets as of March 31, 2018 and 2019 are set forth below.

	2018	2019
Bonds	37%	38%
Stocks	18%	13%
General account	28%	28%
Others	17%	21%
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, 2018 and 2019

	2018	2019
Discount rate	0.03% - 1.58%	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	1.85% - 7.47%	1.85% - 7.47%

Defined contribution plan

The amount required to be contributed to the defined contribution plan are ¥1,377 million and ¥1,498 million (\$13,618 thousand) for the year ended March 31, 2018 and 2019.

20. Income Taxes

Significant components of deferred tax assets and deferred tax liabilities at March 31, 2018 and 2019 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Deferred tax assets:			
Valuation loss on inventories	¥ 1,039	¥ 569	\$ 5,173
Valuation loss on securities	2,420	2,280	20,727
Amortization of intangible assets	3,739	3,972	36,109
Allowance for doubtful accounts	129	115	1,045
Accrued expenses	164	777	7,064
Accrued bonuses to employees	3,874	3,879	35,264
Net defined benefit liability	8,410	8,589	78,082
Net operating loss carry forwards	5,018	7,915	71,955
Unrealized inter-company profits	481	825	7,500
Impairment losses on fixed assets	3,659	6,109	55,536
Loss of investments in silent partnerships	5	7	64
Undistributed loss from consolidated subsidiaries	300	226	2,055
Accrued enterprise tax/business office tax	869	1,452	13,200
Revaluation of assets for merger	7	7	64
Asset retirement obligations	1,460	1,898	17,255
Asset adjustment account	5,017	3,473	31,573
Other	4,711	5,837	53,064
Gross deferred tax assets	41,310	47,939	435,809
Valuation allowance related to tax loss carried forward (Note 2)	-	(4,854)	(44,127)
Valuation allowance related to future deductible temporary differences	-	(12,762)	(116,018)
Less: valuation allowance (Note 1)	(12,906)	(17,617)	(160,155)
Total deferred tax assets	¥ 28,403	¥ 30,321	\$ 275,645
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ 6,057	¥ 6,664	\$ 60,582
Valuation difference on consolidated Subsidiaries	28,300	28,072	255,200
Reserve for advanced depreciation of non-current assets	2,793	2,286	20,782
Loss on approval for exchange of land rights	24	591	5,373
Property, plant and equipment corresponding to asset retirement obligations	839	1,129	10,264
Other	2,095	3,623	32,936
Total deferred tax liabilities	40,111	42,366	385,145
Net deferred tax assets (liabilities)	¥(11,707)	¥(12,045)	\$ (109,500)

Notes: 1. The valuation allowance increased by ¥4,710 million. The main reason for the increase was that the valuation allowance was additionally recognized for consolidated subsidiaries whose deferred tax assets were deemed non-recoverable in full due to the occurrence of impairment losses, etc.
2. Tax losses carried forward and the amounts of their deferred tax assets according to carry-forward period deadlines.

	Yen (millions)						Total
	One year or less	More than one year but two years or less	More than two years but three years or less	More than three years but four years or less	More than four years but five years or less	More than five years	
2019							
Tax loss carried forward (Note 1)	-	-	-	14	100	7,800	7,915
Valuation allowance	-	-	-	(6)	(71)	(4,777)	(4,854)
Deferred tax assets	-	-	-	8	29	3,023	3,061 (Note 2)

Notes: 1. Tax losses carried forward indicate amounts multiplied by legally-designated effective tax rates.
2. Deferred tax assets amounting to ¥3,061 million have been posted in conjunction with the tax loss carried forward of ¥7,915 million (multiplied by the legally designated effective tax rate). The portion of the said tax loss carried forward that is deemed recoverable based on expected future taxable income is not recognized as a valuation allowance.

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Deferred tax assets - non-current	17,423	18,596	169,055
Deferred tax liabilities - non-current	¥29,131	¥30,641	\$278,555

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

	2018	2019
Statutory tax rate (Adjustments)	30.9%	30.6%
Items not included in tax deductions permanently, such as entertainment expenses	0.7%	0.8%
Items not included in taxable income permanently, such as dividend income	(0.1)%	(0.1)%
Temporary difference for consolidation	–	(2.0)%
Inhabitant tax on a per capita basis	0.6%	0.5%
Increase/decrease in the amount of valuation reserve	6.7%	6.5%
Amortization of goodwill	2.8%	2.8%
Tax credit for wage increases and productivity improvement and tax incentives to promote capital expenditure on productivity enhancing equipment	(1.4)%	(0.5)%
Equity in earnings of entities accounted for by the equity method	(0.1)%	(0.1)%
Exclusion from tax deductions directors' bonuses	0.1%	0.1%
Others	0.3%	0.5%
Effective tax rate	40.5%	39.0%

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, 2018 and 2019 are as follows:

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

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

2019		U.S. dollars (thousands)	
	Carrying value	Fair value	
As of April 1, 2018	Net change	As of March 31, 2019	As of March 31, 2019
\$7,194,373	\$225,155	\$7,419,527	\$9,649,900

Notes: 1. The carrying value represents the acquisition cost less accumulated depreciation and cumulative impairment loss.
2. Of the changes, the increase during the year ended March 31, 2019 is mainly attributable to the acquisition of properties and progress of properties to be developed before opening of ¥100,159 million (\$910,536 thousand). The increase during the year ended March 31, 2018 were mainly attributable to the acquisition of properties of ¥2,773 million.
The decrease during the year ended March 31, 2019 were mainly due to the sales of properties of ¥37,283 million (\$338,936 thousand), and transfers to real estate for sale of ¥32,847 million (\$298,609 thousand), 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 ¥137,364 million and ¥52,883 million (\$480,755 thousand) as of March 31, 2018 and 2019) 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
	2018	2019	2019
Net asset per share of common stock as of March 31	¥768.85	¥780.78	\$7.10
Net income per share of common stock for the year ended March 31	¥ 57.80	¥ 56.84	\$0.52

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

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
For the year ended March 31			
Profit attributable to owners of parent	¥ 35,185	¥ 37,459	\$ 340,536
Profit attributable to owners of parent of common stock	¥ 35,185	¥ 37,459	\$ 340,536
Weighted average number of shares of common stock (thousands)	608,772	659,059	

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

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
As of March 31			
Total net assets	¥475,345	¥568,698	\$5,169,982
Amount deducted from total net assets	7,204	7,292	66,291
Non-controlling interests	(7,204)	(7,292)	(66,291)
Net assets of common stock at March 31	¥468,140	¥561,405	\$5,103,682
Number of shares of common stock at March 31 (thousands)	608,883	719,028	

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, 2019 and 2018 are less than 10 percent of consolidated revenue.

Independent Auditor's Report

Summarized information by business segment for the year ended March 31, 2019 and 2018 are as follows:

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	¥ (48,889)	¥2,173,225
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
Additions to property, plant and equipment and intangible assets	21,811	1,102	2,081	1,838	17,001	1,273	1,001	1,222	47,331

Yen (millions)

Year ended March 31, 2019	Urban Development	Residential	Property Management	Real Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/ Headquarters	Consolidated
Revenues:									
Third party customers	¥ 252,452	¥121,276	¥158,276	¥112,068	¥123,200	¥96,485	¥ 38,123	¥ -	¥ 901,884
Inter-segment	3,975	142	15,627	6,793	704	907	3,456	(31,607)	-
Total	¥ 256,427	¥121,419	¥173,904	¥118,862	¥123,904	¥97,392	¥ 41,580	¥ (31,607)	¥ 901,884
Operating profit/loss	49,882	5,363	8,573	13,918	7,864	759	931	(7,086)	80,205
Total assets	¥1,534,097	¥236,351	¥102,457	¥104,886	¥273,720	¥37,828	¥129,961	¥ (14,052)	¥2,405,249
Depreciation expenses	11,004	641	1,322	1,322	8,290	1,339	66	579	24,567
Amortization of goodwill	1,008	-	1,922	-	0	-	1	2,488	5,421
Investment in entities accounted for using equity method	-	-	-	154	-	-	76,379	816	77,350
Additions to property, plant and equipment and intangible assets	48,402	1,239	2,862	1,897	30,178	1,216	171	644	86,614

U.S. dollars (thousands)

Year ended March 31, 2019	Urban Development	Residential	Property Management	Real Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/ Headquarters	Consolidated
Revenues:									
Third party customers	\$ 2,295,018	\$1,102,509	\$1,438,873	\$1,018,800	\$1,120,000	\$877,136	\$ 346,573	\$ -	\$ 8,198,945
Inter-segment	36,136	1,291	142,064	61,755	6,400	8,245	31,418	(287,336)	-
Total	\$ 2,331,155	\$1,103,809	\$1,580,945	\$1,080,564	\$1,126,400	\$885,382	\$ 378,000	\$ (287,336)	\$ 8,198,945
Operating profit/loss	453,473	48,755	77,936	126,527	71,491	6,900	8,464	(64,418)	729,136
Total assets	\$13,946,336	\$2,148,645	\$ 931,427	\$ 953,509	\$2,488,364	\$343,891	\$1,181,464	\$ (127,745)	\$21,865,900
Depreciation expenses	100,036	5,827	12,018	12,018	75,364	12,173	600	5,264	223,336
Amortization of goodwill	9,164	-	17,473	-	0	-	9	22,618	49,282
Investment in entities accounted for using equity method	-	-	-	1,400	-	-	694,355	7,418	703,182
Additions to property, plant and equipment and intangible assets	440,018	11,264	26,018	17,245	274,345	11,055	1,555	5,855	787,400



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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, 2019, 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, 2019, 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 14, 2019
Tokyo, Japan

A member firm of Ernst & Young Global Limited