

Consolidated Financial Statements

Consolidated Balance Sheet

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands)
	As of March 31, 2019	As of March 31, 2020	(Note 2) As of March 31, 2020
Assets			
Current assets			
Cash and deposits (Note 7)	¥ 185,091	¥ 97,644	\$ 904,111
Notes and accounts receivable - trade	33,766	35,940	332,778
Securities (Notes 3, 10, 19)	17,480	24,417	226,083
Merchandise	12,107	13,501	125,009
Real estate for sale (Notes 7, 10)	229,459	287,345	2,660,602
Real estate for sale in process (Note 10)	331,980	366,591	3,394,361
Costs on construction contracts in progress	6,564	4,031	37,324
Supplies	791	802	7,426
Other	55,585	58,893	545,306
Allowance for doubtful accounts	(88)	(121)	(1,120)
Total current assets	872,740	889,046	8,231,907
Non-current assets			
Property, plant and equipment			
Buildings and structures	413,188	468,156	4,334,778
Accumulated depreciation	(190,587)	(195,206)	(1,807,463)
Buildings and structures, net (Note 7)	222,601	272,950	2,527,315
Land (Notes 6, 7)	722,691	728,712	6,747,333
Construction in progress (Note 7)	129,299	112,966	1,045,981
Other	75,660	84,885	785,972
Accumulated depreciation	(44,051)	(48,126)	(445,611)
Other, net	31,608	36,759	340,361
Total property, plant and equipment (Notes 10, 23)	1,106,201	1,151,389	10,661,009
Intangible assets			
Leasehold interests in land (Note 7)	19,129	22,646	209,685
Goodwill	77,131	71,710	663,981
Other	17,033	18,679	172,954
Total intangible assets (Note 10)	113,294	113,036	1,046,630
Investments and other assets			
Investment securities (Notes 7, 10, 19)	180,720	195,125	1,806,713
Long-term loans receivable (Note 7)	266	1,307	12,102
Leasehold and guarantee deposits	89,310	89,553	829,194
Deferred tax assets (Note 22)	18,596	21,799	201,843
Retirement benefit asset (Note 21)	118	199	1,843
Other	24,004	26,030	241,019
Allowance for doubtful accounts	(359)	(332)	(3,074)
Total investments and other assets	312,657	333,684	3,089,667
Total non-current assets	1,532,153	1,598,109	14,797,306
Deferred assets			
Share issuance cost	355	213	1,972
Total deferred assets	355	213	1,972
Total assets	¥2,405,249	¥2,487,369	\$23,031,194

Account title	Yen (millions)		U.S. dollars (thousands)
	As of March 31, 2019	As of March 31, 2020	(Note 2) As of March 31, 2020
Liabilities			
Current liabilities			
Notes and accounts payable - trade	¥ 45,765	¥ 51,783	\$ 479,472
Short-term borrowings (Notes 7,8,9)	163,275	143,558	1,329,241
Commercial papers	-	90,000	833,333
Current portion of bonds payable (Note 8)	20,000	20,000	185,185
Accounts payable - other	31,503	35,376	327,556
Income taxes payable	14,179	12,388	114,704
Advances received	46,488	39,772	368,259
Deposits received from consignment sales	34,201	19,262	178,352
Deposits received	33,761	33,924	314,111
Deposits received for special joint ventures	14,000	-	-
Provision for bonuses	11,263	11,183	103,546
Provision for bonuses for directors (and other officers)	234	259	2,398
Provision for warranties for completed construction	746	1,190	11,019
Other provisions	3,602	2,496	23,111
Other	16,727	19,419	179,806
Total current liabilities	435,750	480,616	4,450,148
Non-current liabilities			
Bonds payable (Notes 7, 8)	185,825	200,000	1,851,852
Long-term borrowings (Notes 7,8)	920,707	907,483	8,402,620
Deferred tax liabilities (Note 22)	30,641	28,982	268,352
Deferred tax liabilities for land revaluation (Note 6)	4,980	4,980	46,111
Long-term leasehold and guarantee deposits received	197,598	198,776	1,840,519
Deposits received for special joint ventures	-	8,500	78,704
Retirement benefit liability (Note 21)	29,262	30,023	277,991
Provision for loss on guarantees	21	14	130
Provision for retirement benefits for directors (and other officers)	55	80	741
Other (Note 7)	31,709	33,665	311,713
Total non-current liabilities	1,400,801	1,412,507	13,078,769
Total liabilities	1,836,551	1,893,123	17,528,917
Net assets			
Shareholders' equity (Note 25)			
Share capital	77,562	77,562	718,167
Capital surplus	166,675	166,678	1,543,315
Retained earnings	298,411	325,509	3,013,972
Treasury shares	(367)	(260)	(2,407)
Total shareholders' equity	542,281	569,489	5,273,046
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	15,183	8,696	80,519
Deferred gains or losses on hedges (Note 20)	(1,066)	(206)	(1,907)
Revaluation reserve for land (Note 6)	8,067	8,067	74,694
Foreign currency translation adjustment	(1,304)	(1,047)	(9,694)
Remeasurements of defined benefit plans (Note 21)	(1,754)	(1,709)	(15,824)
Total accumulated other comprehensive income	19,124	13,800	127,778
Non-controlling interests	7,292	10,956	101,444
Total net assets	568,698	594,246	5,502,278
Total liabilities and net assets	¥2,405,249	¥2,487,369	\$23,031,194

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Income

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands)
	2019 (From April 1, 2018 to March 31, 2019)	2020 (From April 1, 2019 to March 31, 2020)	2020 (From April 1, 2019 to March 31, 2020) (Note 2)
Operating revenue	¥901,884	¥963,198	\$8,918,500
Operating cost (Note 11)	708,435	761,492	7,050,852
Operating gross profit	193,448	201,705	1,867,639
Selling, general and administrative expenses	113,243	122,393	1,133,269
Operating profit	80,205	79,312	734,370
Non-operating income			
Interest income	139	190	1,759
Dividend income	712	491	4,546
Share of profit of entities accounted for using equity method	204	57	528
Subsidy income	616	93	861
Other	720	606	5,611
Total non-operating income	2,392	1,439	13,324
Non-operating expenses			
Interest expenses	9,291	10,273	95,120
Foreign exchange losses	444	822	7,611
Other	2,115	2,156	19,963
Total non-operating expenses	11,852	13,251	122,694
Ordinary profit	70,744	67,499	624,991
Extraordinary income			
Gain on sales of non-current assets	117	78	722
Total extraordinary income	117	78	722
Extraordinary losses			
Impairment loss (Note 13)	7,768	3,537	32,750
Loss on disaster	518	868	8,037
Other	1,357	171	1,583
Total extraordinary losses	9,644	4,576	42,370
Profit before income taxes	61,218	63,001	583,343
Income taxes – current	24,063	26,880	248,889
Income taxes – deferred (Note 22)	(198)	(2,466)	(22,833)
Total income taxes (Note 22)	23,865	24,413	226,046
Profit	37,353	38,587	357,287
Loss attributable to non-controlling interests	(105)	(24)	(222)
Profit attributable to owners of parent	¥ 37,459	¥ 38,611	\$ 357,509

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)
	2019 (From April 1, 2018 to March 31, 2019)	2020 (From April 1, 2019 to March 31, 2020)	2020 (From April 1, 2019 to March 31, 2020) (Note 2)
Profit	¥37,353	¥38,587	\$357,287
Other comprehensive income			
Valuation difference on available-for-sale securities	1,387	(6,486)	(60,056)
Deferred gains or losses on hedges	(916)	859	7,954
Foreign currency translation adjustment	(1,369)	1,344	12,444
Remeasurements of defined benefit plans, net of tax	204	45	417
Share of other comprehensive income of entities accounted for using equity method	(1,279)	(1,084)	(10,037)
Total other comprehensive income (Note 15)	(1,973)	(5,322)	(49,278)
Comprehensive income	35,379	33,265	308,009
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	35,529	33,287	308,213
Comprehensive income attributable to non-controlling interests	¥ (150)	¥ (22)	\$ (204)

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

Tokyu Fudosan Holdings Corporation

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

Account title	Yen (millions)				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥60,000	¥119,188	¥270,095	¥(2,197)	¥447,087
Changes 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)
Net changes in items other than shareholders' equity					–
Total changes during period	17,562	47,486	28,315	1,829	95,194
Balance at end of 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 period	¥13,796	¥(169)	¥8,067	¥1,319	¥(1,959)	¥21,053	¥7,204
Changes 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)
Net changes in items other than shareholders' equity	1,387	(897)	–	(2,623)	204	(1,929)	87	(1,841)
Total changes during period	1,387	(897)	–	(2,623)	204	(1,929)	87	93,352
Balance at end of period	¥15,183	¥(1,066)	¥8,067	¥(1,304)	¥(1,754)	¥19,124	¥7,292	¥568,698

2020 (from April 1, 2019 to March 31, 2020)

Account title	Yen (millions)				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥77,562	¥166,675	¥298,411	¥(367)	¥542,281
Changes during period					
Issuance of new shares					–
Dividends of surplus			(11,512)		(11,512)
Profit attributable to owners of parent			38,611		38,611
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(0)		107	107
Change in ownership interest of parent due to transactions with non-controlling interests		2			2
Net changes in items other than shareholders' equity					–
Total changes during period	–	2	27,098	106	27,208
Balance at end of period	¥77,562	¥166,678	¥325,509	¥(260)	¥569,489

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 period	¥15,183	¥(1,066)	¥8,067	¥(1,304)	¥(1,754)	¥19,124	¥7,292
Changes during period								
Issuance of new shares								–
Dividends of surplus								(11,512)
Profit attributable to owners of parent								38,611
Purchase of treasury shares								(0)
Disposal of treasury shares								107
Change in ownership interest of parent due to transactions with non-controlling interests								2
Net changes in items other than shareholders' equity	(6,486)	860	–	257	45	(5,323)	3,663	(1,660)
Total changes during period	(6,486)	860	–	257	45	(5,323)	3,663	25,548
Balance at end of period	¥8,696	¥(206)	¥8,067	¥(1,047)	¥(1,709)	¥13,800	¥10,956	¥594,246

Consolidated Statement of Changes in Equity

Tokyu Fudosan Holdings Corporation

2020 (from April 1, 2019 to March 31, 2020)

Account title	U.S. dollars (thousands) (Note 2)				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	\$718,167	\$1,543,287	\$2,763,065	\$(3,398)	\$5,021,120
Changes during period					
Issuance of new shares					–
Dividends of surplus			(106,593)		(106,593)
Profit attributable to owners of parent			357,509		357,509
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(0)		991	991
Change in ownership interest of parent due to transactions with non-controlling interests		19			19
Net changes in items other than shareholders' equity					–
Total changes during period	–	19	250,907	981	251,926
Balance at end of period	\$718,167	\$1,543,315	\$3,013,972	\$(2,407)	\$5,273,046

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 period	\$140,583	\$(9,870)	\$74,694	\$(12,074)	\$(16,241)	\$177,074	\$67,519
Changes during period								
Issuance of new shares								–
Dividends of surplus								(106,593)
Profit attributable to owners of parent								357,509
Purchase of treasury shares								(0)
Disposal of treasury shares								991
Change in ownership interest of parent due to transactions with non-controlling interests								19
Net changes in items other than shareholders' equity	(60,056)	7,963	–	2,380	417	(49,287)	33,917	(15,370)
Total changes during period	(60,056)	7,963	–	2,380	417	(49,287)	33,917	236,556
Balance at end of period	\$ 80,519	\$(1,907)	\$74,694	\$(9,694)	\$(15,824)	\$127,778	\$101,444	\$5,502,278

Consolidated Statement of Cash Flows

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands) (Note 2)
	2019 (From April 1, 2018 to March 31, 2019)	2020 (From April 1, 2019 to March 31, 2020)	2020 (From April 1, 2019 to March 31, 2020)
	Cash flows from operating activities		
Profit before income taxes	¥61,218	¥ 63,001	\$ 583,343
Depreciation	24,567	32,345	299,491
Amortization of goodwill	5,421	5,421	50,194
Share of loss (profit) of entities accounted for using equity method	(204)	(57)	(528)
Increase (decrease) in retirement benefit liability	338	211	1,954
Increase (decrease) in other provision	1,415	(55)	(509)
Impairment loss	7,768	3,537	32,750
Loss on valuation of inventories	2,416	1,566	14,500
Loss on retirement of non-current assets	1,073	1,956	18,111
Interest and dividend income	(851)	(681)	(6,306)
Interest expenses	9,291	10,273	95,120
Decrease (increase) in trade receivables	(3,805)	(2,312)	(21,407)
Decrease (increase) in inventories	(55,586)	(64,161)	(594,083)
Increase (decrease) in trade payables	7,635	6,011	55,657
Increase (decrease) in deposits received for consignment sales	23,847	(14,938)	(138,315)
Increase (decrease) in deposits received for special joint ventures	(17,500)	(5,500)	(50,926)
Other, net	4,118	(6,767)	(62,657)
Subtotal	71,166	29,851	276,398
Interest and dividend income received	1,104	2,382	22,056
Interest paid	(9,366)	(10,184)	(94,296)
Income taxes paid	(18,380)	(28,710)	(265,833)
Net cash provided by (used in) operating activities	¥44,522	¥ (6,660)	\$ (61,667)
Cash flows from investing activities			
Loan advances	(13)	(1,087)	(10,065)
Collection of loans receivable	28	29	269
Purchase of short-term and long-term investment securities	(24,672)	(31,989)	(296,194)
Proceeds from sales and redemption of short-term and long-term investment securities	5,748	4,413	40,861
Payments of leasehold and guarantee deposits	(9,557)	(6,027)	(55,806)
Proceeds from refund of leasehold and guarantee deposits	5,061	5,285	48,935
Purchase of non-current assets	(74,957)	(136,247)	(1,261,546)
Proceeds from sales of non-current assets	37,769	19,214	177,907
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(307)	(2,843)
Other, net	202	(506)	(4,685)
Net cash provided by (used in) investing activities	¥(60,389)	¥(147,223)	\$(1,363,176)

Consolidated Statement of Cash Flows

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands)
	2019 (From April 1, 2018 to March 31, 2019)	2020 (From April 1, 2019 to March 31, 2020)	2020 (From April 1, 2019 to March 31, 2020) (Note 2)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	¥ 3,042	¥(30,296)	\$(280,519)
Net increase (decrease) in commercial papers	–	90,000	833,333
Proceeds from long-term borrowings	213,159	107,818	998,315
Repayments of long-term borrowings	(152,260)	(110,772)	(1,025,667)
Proceeds from long-term lease and guarantee deposited	24,497	18,740	173,519
Repayments of long-term lease and guarantee deposited	(15,159)	(14,630)	(135,463)
Proceeds from issuance of bonds	20,000	40,000	370,370
Redemption of bonds	(10,100)	(25,825)	(239,120)
Dividends paid	(9,143)	(11,512)	(106,593)
Proceeds from share issuance to non-controlling shareholders	746	3,843	35,583
Dividends paid to non-controlling interests	(70)	(200)	(1,852)
Repayments of finance lease obligations	(1,555)	(2,057)	(19,046)
Payments for investments in silent partnership that do not result in change in scope of consolidation	(421)	(30)	(278)
Proceeds from issuance of shares	47,213	–	–
Purchase of treasury shares	(1)	(0)	(4)
Proceeds from disposal of treasury shares	19,148	–	–
Net cash provided by (used in) financing activities	¥139,093	¥ 65,077	\$ 602,565
Effect of exchange rate change on cash and cash equivalents	(155)	1,042	9,648
Net increase (decrease) in cash and cash equivalents	¥123,071	¥(87,763)	\$(812,620)
Cash and cash equivalents at beginning of period	61,729	184,800	1,711,111
Cash and cash equivalents at end of period (Note 16)	¥184,800	¥ 97,037	\$ 898,491

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 172 consolidated subsidiaries as of March 31, 2020. The following companies have become consolidated subsidiaries: TLUS Oakland Portfolio Holdings, LLC and 18 other companies became consolidated subsidiaries, as they were newly established. Silent Partnership Kawanishi Solar Farm and 11 other companies (due to new investments) and three other companies (due to acquisitions of shares and so forth) also became consolidated subsidiaries.

On the other hand, Nasic I support Co., Ltd. was removed from the scope of consolidation as a result of its merger through absorption into NATIONAL STUDENTS INFORMATION CENTER CO., LTD., the surviving entity. Six other companies were also removed from the scope of consolidation, as a result of the completion of liquidation and so forth.

(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) Retirement benefit liability

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

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

(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, 2020.

Changes in presentation method
(Consolidated statement of income)

The amount of "Loss on disaster" included in "Other" under "Extraordinary losses" in the previous consolidated fiscal year is reported in a separate component of extraordinary losses as the amount exceeded 10/100 of total extraordinary losses in the current fiscal year. To reflect this change in presentation, items were reclassified for the previous consolidated fiscal year.

As a result, ¥1,875 million presented in "Other" under "Extraordinary losses" in the previous consolidated fiscal year is separated into ¥518 million in "Loss on disaster" and ¥1,357 million in "Other."

(t) Accounting estimates associated with the spread of COVID-19

The Group made accounting estimates in the application of impairment accounting for fixed assets, etc. under the assumption that COVID-19 is a highly uncertain event that contains ambiguous elements, such as future spread and containment, and there will be serious constraints on the Group's business activities in the first quarter of the following consolidated fiscal year, followed by a gradual recovery from the second quarter onwards.

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 ¥108=U.S. \$1.00, the approximate exchange rate prevailing on the

Tokyo Foreign Exchange Market on March 31, 2020. 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, 2019 and 2020 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Investments in silent partnership	¥ 4,730	¥ 9,889	\$ 91,565
Securities	12,706	14,159	131,102

4. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates at March 31, 2019 and 2020 consisted of the following:

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Investment securities	¥83,263	¥101,106	\$936,167

5. Contingent Liabilities

At March 31, 2019 and 2020 the Company and consolidated subsidiaries have the following contingent liabilities:

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Guarantee of loans on behalf of:			
Individual customers for principally housing loans	¥ 12	¥ 11	\$ 102
Membership loan users	4	2	19
Employees for their purchase of residential houses	1	1	9
PT. TTL Residences	173	152	1,407
425 Park Owner LLC	10,300	10,099	93,509
Shiba Park TMK	10,000	–	–
Mizuho Trust & Banking Co., Ltd. : The real-estate trust beneficiary company	5,500	5,500	50,926
Yonago Biomass power plant Joint company	998	979	9,065
Rhapsody TMK	3,000	3,000	27,778
Renewable Japan Energy Operator SPC	–	1,000	9,259
	¥29,991	¥20,746	\$192,093

6. Revaluation of Land

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

Method of revaluation

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

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

Date of revaluation

TOKYU LAND CORPORATION	March 31, 2000
(Revaluation on merger of subsidiaries)	March 31, 2001
IZU KANKOU KAIHATSU	January 31, 2001

The market value of the revalued land was higher than the book value after revaluation at March 31, 2019 and 2020 respectively. As such, the difference is not stated.

7. Pledged Assets and Secured Liabilities

Pledged assets and secured liabilities at March 31, 2019 and 2020 are summarized as follows:

(1) Pledged assets

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Cash and deposits	¥ 1,516	¥ 229	\$ 2,120
Inventories (Real estate for sale)	25,343	26,283	243,361
Buildings and structures	84,391	97,481	902,602
Land	533,830	477,448	4,420,815
Construction in progress	11,126	–	–
Leasehold interests in land	9,510	14,140	130,926
Investment securities	136	139	1,287
Long-term loans receivable	193	182	1,685
	¥666,049	¥615,904	\$5,702,815

(2) Secured liabilities

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Short-term borrowings	¥ 38,926	¥ 5,542	\$ 51,315
Bonds payable	5,825	–	–
Long-term borrowings	321,674	323,341	2,993,898
Other non-current liabilities	2,261	2,261	20,935
	¥368,687	¥331,144	\$3,066,148

In addition to the above, Investment securities of ¥294 million and ¥30 million (U.S. \$278 thousand) at March 31, 2019 and 2020, 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)
	2019	2020	2020
Real estate for sale	¥2,261	¥2,261	\$20,935
Other non-current liabilities	¥2,261	¥2,261	\$20,935

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)
	2019	2020	2020
Short-term borrowings (Current portion of long-term borrowings)	¥ 39,086	¥ 5,542	\$ 51,315
Bonds payable	5,825	–	–
Long-term borrowings	¥321,514	¥323,341	\$2,993,898

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

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Cash and deposits	¥ 1,516	¥ 229	\$ 2,120
Real estate for sale	22,433	23,766	220,056
Land	533,830	477,448	4,420,815
Buildings and structures	84,391	97,481	902,602
Construction in progress	11,126	–	–
Leasehold interests in land	9,510	14,140	130,926
Investment securities	¥ 0	¥ 0	\$ 0

8. Short-term borrowings and Long-term Debt

Short-term borrowings at March 31, 2019 (¥80,485 million) and 2020 (¥50,017 million (\$463,120 thousand)) consist of loans principally from banks with weighted average interest rates of 0.32% in 2020.

Long-term debt at March 31, 2019 and 2020 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
0.639% unsecured corporate bond, maturing 2021	¥ 10,000	¥ 10,000	\$ 92,593
0.298% unsecured corporate bond, maturing 2020	10,000	-	-
0.856% unsecured corporate bond, maturing 2025	10,000	10,000	92,593
0.968% unsecured corporate bond, maturing 2026	10,000	10,000	92,593
0.371% unsecured corporate bond, maturing 2021	10,000	10,000	92,593
0.190% unsecured corporate bond, maturing 2022	10,000	10,000	92,593
0.780% unsecured corporate bond, maturing 2032	10,000	10,000	92,593
0.800% unsecured corporate bond, maturing 2032	10,000	10,000	92,593
0.180% unsecured corporate bond, maturing 2022	10,000	10,000	92,593
0.001% unsecured corporate bond, maturing 2020	10,000	-	-
0.455% unsecured corporate bond, maturing 2027	10,000	10,000	92,593
0.160% unsecured corporate bond, maturing 2023	10,000	10,000	92,593
0.790% unsecured corporate bond, maturing 2033	10,000	10,000	92,593
0.410% unsecured corporate bond, maturing 2028	10,000	10,000	92,593
0.170% unsecured corporate bond, maturing 2023	10,000	10,000	92,593
0.780% unsecured corporate bond, maturing 2033	10,000	10,000	92,593
0.390% unsecured corporate bond, maturing 2028	10,000	10,000	92,593
0.980% unsecured corporate bond, maturing 2038	10,000	10,000	92,593
0.180% unsecured corporate bond, maturing 2024	10,000	10,000	92,593
0.455% unsecured corporate bond, maturing 2029	10,000	10,000	92,593
0.199% specified corporate bond issued by special purpose company, maturing 2021	5,825	-	-
0.370% unsecured corporate bond, maturing 2030	-	10,000	92,593
0.880% unsecured corporate bond, maturing 2040	-	10,000	92,593
0.190% unsecured corporate bond, maturing 2025	-	10,000	92,593
0.700% unsecured corporate bond, maturing 2040	-	10,000	92,593
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 2020.			
Secured	360,600	328,884	3,045,216
Unsecured	642,896	672,140	6,223,523
	1,209,322	1,221,024	11,305,778
Less current portion	(102,790)	(113,542)	(1,051,311)
	¥1,106,532	¥1,107,483	\$10,254,467

The aggregate annual maturity of long-term debt after March 31, 2021 are as follows:

Year ending March 31,	Yen (millions)	U.S. dollars (thousands)
2022	¥ 89,790	\$ 831,388
2023	146,554	1,356,982
2024	135,653	1,256,046
2025	137,913	1,276,973
2026 and thereafter	597,573	5,533,087
	¥1,107,483	\$10,254,472

9. Commitment Lines

The Company and certain consolidated subsidiaries entered into contracts for overdraft with 28 banks at March 31, 2019 and 2020, and commitment lines with 3 banks at March 31, 2019 and 10 banks at March 31, 2020 respectively. These contracts at March 31, 2019 and 2020 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Limit of overdraft	¥261,219	¥249,719	\$2,312,213
Line of credit	54,000	104,000	962,963
Borrowing outstanding	43,807	49,207	455,620
Available commitment lines	¥271,412	¥304,512	\$2,819,556

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)
	2019	2020	2020
From property, plant and equipment to real estate for sale	¥ 42,297	¥ 23,491	\$ 217,509
From property, plant and equipment to real estate for sale in process	-	3,273	30,306
From intangible assets (leasehold interests in land) to real estate for sale	-	106	981
From real estate for sale to property, plant and equipment	2,868	-	-
From real estate for sale in process to property, plant and equipment	-	1,175	10,880
From securities to investment securities	¥ 519	¥ -	\$ -

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)
	2019	2020	2020
Loss on valuation of inventories	¥ 2,416	¥ 1,566	\$ 14,500

12. Selling, General and Administrative expenses

The main items of selling, general and administrative expenses are as follows.

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Salaries, allowance and bonuses	¥ 22,819	¥ 24,233	\$ 224,380
Selling and advertising expenses	11,903	12,229	113,231
Rent expenses	17,022	17,493	161,972
Provision for bonuses	2,858	2,735	25,324
Provision for bonuses for directors (and other officers)	139	150	1,389
Retirement benefit expenses	1,347	1,361	12,602
Provision for retirement benefits for directors (and other officers)	¥ 30	¥ 29	\$ 269

13. Impairment Loss on Fixed Assets

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%.

2020

For the year ended March 31, 2020, 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)
Project site	Land	Katsuyama-shi, Fukui	¥2,821	\$26,120
Others (11 assets)	Buildings and structures, other fixed assets	Other area	¥ 715	\$ 6,620

To determine impairment losses, assets are divided into groups that are minimal units that generate cash flows independently of other assets and asset groups. Consequently, the Group wrote down the carrying amounts of 12 asset groups to their recoverable values. These asset groups were those where sales or retirement were planned, and those where losses were recorded from operating activities for consecutive years and those where decisions of aborting operational-

ization of a project site were made. The amounts written down were recorded as impairment loss of ¥3,537 million (\$32,750 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.

14. Loss on Disaster

2019

The expenditures and estimated expenditures recorded as "loss on disaster" under extraordinary losses for the year ended March 31, 2019 were chiefly due to the restoration of fixed assets (golf courses, commercial facilities, etc.) that were damaged by the effects of the heavy rain in July 2018, mainly in western Japan.

2020

The expenditures and estimated expenditures recorded as "loss on disaster" under extraordinary losses for the year ended March 31, 2020 were chiefly due to the restoration of fixed assets (golf courses, etc.) damaged by the impact of "Typhoon No. 15" mainly in eastern Japan in September 2019, "Typhoon No. 19" and "Typhoon No. 21" mainly in western Japan and eastern Japan in October 2019.

15. Other Comprehensive Income

The following table presents components of other comprehensive income for the year ended March 31, 2019 and 2020:

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

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥1,998	¥(9,375)	\$(86,806)
Reclassification to income for the year	-	25	231
Total valuation difference on available-for-sale securities	1,998	(9,350)	(86,574)
Deferred gains or losses on hedges:			
Amount arising during the year	(1,320)	1,238	11,463
Reclassification to income for the year	-	-	-
Total deferred gains or losses on hedges	(1,320)	1,238	11,463
Foreign currency translation adjustment:			
Amount arising during the year	(1,002)	1,344	12,444
Reclassification to income for the year	(367)	-	-
Total foreign currency translation adjustment	(1,369)	1,344	12,444
Remeasurements of defined benefits:			
Amount arising during the year	(461)	(269)	(2,491)
Reclassification to income for the year	690	426	3,944
Total remeasurements of defined benefits	228	156	1,444
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	(1,279)	(1,084)	(10,037)
Reclassification to income for the year	-	-	-
Total share of other comprehensive income of entities accounted for using equity method	(1,279)	(1,084)	(10,037)
Amount before tax effect	(1,742)	(7,694)	(71,241)
Tax effect	(231)	2,372	21,963
Total accumulated other comprehensive income	¥(1,973)	¥(5,322)	\$(49,278)

(2) Tax effect of other comprehensive income

	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)

	Yen (millions)		
	2020		
	Before tax effect	Tax effect	After tax effect
Valuation difference on available-for-sale securities	¥(9,350)	¥2,863	¥(6,486)
Deferred gains or losses on hedges	1,238	(379)	859
Foreign currency translation adjustment	1,344	-	1,344
Remeasurements of defined benefit plans	156	(111)	45
Share of other comprehensive income of entities accounted for using equity method	(1,084)	-	(1,084)
Total accumulated other comprehensive income	¥(7,694)	¥2,372	¥(5,322)

	U.S. dollars (thousands)		
	2020		
	Before tax effect	Tax effect	After tax effect
Valuation difference on available-for-sale securities	\$(86,574)	\$26,509	\$(60,056)
Deferred gains or losses on hedges	11,463	(3,509)	7,954
Foreign currency translation adjustment	12,444	-	12,444
Remeasurements of defined benefit plans	1,444	(1,028)	417
Share of other comprehensive income of entities accounted for using equity method	(10,037)	-	(10,037)
Total accumulated other comprehensive income	\$(71,241)	\$21,963	\$(49,278)

16. 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, 2019 and 2020 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Cash and deposits	¥185,091	¥97,644	\$904,111
Time deposits with maturity over three months	(321)	(657)	(6,083)
Short-term loans receivable	30	50	463
Cash and cash equivalents	¥184,800	¥97,037	\$898,491

The details of significant non-cash transactions

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
The amount transferred from property, plant and equipment to real estate for sale due to change in purpose of holding the real estate	¥42,297	¥23,597	\$218,491
The amount transferred from property, plant and equipment to real estate for sale in process due to change in purpose of holdings the real estate	-	3,273	30,306
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	-	-
The amount transferred from real estate for sale in process to property, plant and equipment due to change in purpose of holdings the real estate	-	1,175	10,880
The amount transferred from securities to investment securities due to change in purpose of holdings the securities	519	-	-
Assets related to finance leases	5,097	1,870	17,315
Liabilities related to finance leases	¥ 6,234	¥ 2,073	\$ 19,194

17. 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, 2019 and 2020 are as follows:

- (1) Acquisition cost, accumulated depreciation, accumulated impairment loss, and carrying amount of leased properties (mainly office equipment) at March 31, 2019 and 2020 if they were capitalized

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Acquisition cost	¥6,251	¥6,251	\$57,880
Accumulated depreciation	3,666	3,978	36,833
Carrying amount	¥2,584	¥2,272	\$21,037

- (2) Future lease payments at March 31, 2019 and 2020

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Due within one year	¥ 517	¥ 517	\$ 4,787
Due after one year	3,717	3,199	29,620
Total	¥4,234	¥3,717	\$34,417

- (3) Amount of lease payments, reversal of impairment loss account on leased assets, depreciation expense equivalent, and interest expenses equivalent thereof at March 31, 2019 and 2020

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Lease payments	¥ 517	¥ 517	\$ 4,787
Reversal of impairment loss account on leased assets	-	-	-
Depreciation expense equivalent	312	312	2,889
Interest expenses equivalent	¥ 192	¥ 174	\$ 1,611

(Operating Lease Transactions as lessee)

Future lease payments of non-cancellable leases at March 31, 2019 and 2020 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Due within one year	¥ 25,194	¥ 27,644	\$ 255,963
Due after one year	428,773	524,467	4,856,176
Total	¥453,968	¥552,111	\$5,112,139

(Operating Lease Transactions as lessor)

Future lease payments of non-cancellable leases to be received at March 31, 2019 and 2020 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Due within one year	¥ 30,230	¥ 31,359	\$ 290,361
Due after one year	88,364	107,178	992,389
Total	¥118,595	¥138,537	\$1,282,750

18. Financial Instruments

Financial instruments at March 31, 2019 and 2020 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, 2020 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	¥ 97,644	¥ 97,644	¥ -
(2) Securities and investment securities			
Held-to-maturity securities	9	10	0
Available-for-sale securities	61,927	61,927	-
Total assets	¥ 159,581	¥ 159,581	¥ 0
(1) Short-term borrowings	50,017	50,017	-
(2) Commercial papers	90,000	90,000	-
(3) Bonds payable	220,000	218,767	(1,232)
(4) Long-term borrowings	1,001,025	1,005,437	4,412
Total liabilities	¥1,361,042	¥1,364,222	¥3,180
Derivatives			
Derivatives to which hedge accounting is not applied	(911)	(911)	-
Derivatives to which hedge accounting is applied	(325)	(325)	-

	U.S. dollars (thousands)		
	Book value	Estimated fair value	Difference
(1) Cash and deposits	\$ 904,111	\$ 904,111	\$ -
(2) Securities and investment securities			
Held-to-maturity securities	83	93	0
Available-for-sale securities	573,398	573,398	-
Total assets	\$ 1,477,602	\$ 1,477,602	\$ 0
(1) Short-term borrowings	463,120	463,120	-
(2) Commercial papers	833,333	833,333	-
(3) Bonds payable	2,037,037	2,025,620	(11,407)
(4) Long-term borrowings	9,268,750	9,309,602	40,852
Total liabilities	\$12,602,241	\$12,631,685	\$29,444
Derivatives			
Derivatives to which hedge accounting is not applied	(8,435)	(8,435)	-
Derivatives to which hedge accounting is applied	(3,009)	(3,009)	-

Notes:

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

Assets

Cash and deposits

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

Securities and Investment securities

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

Liabilities

Short-term borrowings 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 borrowings (Including current portion of long-term borrowings)

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 borrowings 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 20. Derivatives.

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

	Yen (millions)	U.S. dollars (thousands)
Operational investment securities	¥ 1,783	\$ 16,509
Unlisted stocks – current	12,733	117,898
Unlisted stocks – non-current	125,988	1,166,556
Investments in silent partnerships – current	9,889	91,565
Investments in silent partnerships – non-current	¥ 7,209	\$ 66,750

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	¥ 89,553	\$ 829,194
Long-term lease and guarantee deposited	¥198,776	\$1,840,519

Because no quoted market price is available, calculation of the substantial deposit period is difficult, 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, 2020.

	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	¥97,644	¥ -	¥ -	¥ -
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	9	-	-	-
(2) Corporate bonds	-	-	-	-
Available-for-sale securities with maturities				
(1) National and local government bonds	11	-	-	-
(2) Corporate bonds	-	-	-	-
Total	¥97,665	¥ -	¥ -	¥ -

	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	\$904,111	\$ -	\$ -	\$ -
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	83	-	-	-
(2) Corporate bonds	-	-	-	-
Available-for-sale securities with maturities				
(1) National and local government bonds	102	-	-	-
(2) Corporate bonds	-	-	-	-
Total	\$904,306	\$ -	\$ -	\$ -

19. Securities

Securities held by the Company as of March 31, 2019 and 2020 are summarized as follows:

(1) Held-to-maturity Securities

	Yen (millions)		
	2019		
	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

	Yen (millions)		
	2020		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
National and local government bonds	¥9	¥10	¥0
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	9	10	0
Securities whose fair value does not exceed book value:			
National and local government bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	-	-	-
Total	¥9	¥10	¥0

	U.S. dollars (thousands)		
	2020		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
National and local government bonds	\$83	\$93	\$9
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	83	93	9
Securities whose fair value does not exceed book value:			
National and local government bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	-	-	-
Total	\$83	\$93	\$9

(2) Available-for-sale securities

	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

	Yen (millions)		
	2020		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥60,894	¥48,177	¥12,717
National and local government bonds	11	10	0
Other	-	-	-
Subtotal	60,905	48,188	12,717
Securities whose book value does not exceed acquisition cost:			
Stocks	1,021	1,178	(157)
National and local government bonds	-	-	-
Other	-	-	-
Subtotal	1,021	1,178	(157)
Total	¥61,927	¥49,367	¥12,560

	U.S. dollars (thousands)		
	2020		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	\$563,833	\$446,083	\$117,750
National and local government bonds	102	93	9
Other	-	-	-
Subtotal	563,935	446,185	117,750
Securities whose book value does not exceed acquisition cost:			
Stocks	9,454	10,907	(1,454)
National and local government bonds	-	-	-
Other	-	-	-
Subtotal	9,454	10,907	(1,454)
Total	\$573,398	\$457,102	\$116,296

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

Available-for-sale securities	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Operational investment securities	¥ 3,050	¥ 1,783	\$ 16,509
Unlisted stocks, etc	35,060	37,258	344,981
Investments in silent partnerships	¥ 7,978	¥ 17,099	\$ 158,324

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, 2019 and 2020:

2019 Not applicable.

2020

Type	Yen (millions)		
	Sales amount	Aggregate gains	Aggregate losses
Stocks	¥58	¥21	¥ -

Type	U.S. dollars (thousands)		
	Sales amount	Aggregate gains	Aggregate losses
Stocks	\$537	\$194	\$ -

(4) Loss on valuation of securities

Loss on valuation of securities for the years ended March 31, 2019 and 2020:

Loss on valuation of investment securities (Note)	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
	¥274	¥619	\$5,731

Note: Securities which market value is very difficult to determine

20. Derivatives

Contract /notional amount and the estimated fair value of the derivative instruments as of March 31, 2019 and 2020 are summarized as follows:

(1) Derivatives to which hedge accounting is not applied

Currency-related transactions

2019	Type of derivatives	Yen (millions)			
		Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain (loss)
Non-market transaction	NDF To sell foreign currency: Indonesian rupiah	¥10,040	¥6,160	¥ (328)	¥ (328)

2020	Type of derivatives	Yen (millions)			
		Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain (loss)
Non-market transaction	NDF To sell foreign currency: Indonesian rupiah	¥ 8,690	¥ -	¥ (911)	¥ (911)

2020	Type of derivatives	U.S. dollars (thousands)			
		Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain (loss)
Non-market transaction	NDF To sell foreign currency: Indonesian rupiah	\$80,463	¥ -	\$(8,435)	\$(8,435)

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

2019	Hedge accounting method	Type of derivatives	Major hedged items	Yen (millions)		
				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)

2020	Hedge accounting method	Type of derivatives	Major hedged items	Yen (millions)		
				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	¥ 13,772	¥ 13,772	¥ 471
		Euro		¥ -	¥ -	¥ -

2020	Hedge accounting method	Type of derivatives	Major hedged items	U.S. dollars (thousands)		
				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	\$127,519	\$127,519	\$ 4,361
		Euro		\$ -	\$ -	\$ -

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)		
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 Receive/floating Pay/fixed	Long-term debt	¥ 14,785	¥ 14,638	¥ (664)
Special treatment for interest rate swaps			¥ 269,660	¥ 242,217	(Note 1)

			Yen (millions)		
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 Receive/floating Pay/fixed	Long-term debt	¥ 15,099	¥ 15,024	¥ (796)
Special treatment for interest rate swaps			¥ 254,044	¥ 205,598	(Note 1)

			U.S. dollars (thousands)		
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 Receive/floating Pay/fixed	Long-term debt	\$ 139,806	\$ 139,111	\$(7,370)
Special treatment for interest rate swaps			\$2,352,259	\$1,903,685	(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.

21. 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)
	2019	2020	2020
1. Principle method			
Retirement benefit obligations at beginning of year	¥34,971	¥35,389	\$ 327,676
Service cost	2,211	2,306	21,352
Interest cost	230	229	2,120
Actuarial loss	178	(49)	(454)
Retirement benefits paid	(2,205)	(1,997)	(18,491)
The amount of transfer in association with changing from the simplified method to the principle method	2	117	1,083
Prior service cost that arose in the fiscal year	(0)	-	-
Retirement benefit obligations at end of year	¥35,389	¥35,995	\$ 333,287
2. Simplified method			
Retirement benefit obligations at beginning of year	¥ 1,122	¥ 1,063	\$ 9,843
Retirement benefit cost	76	198	1,833
Retirement benefits paid	(130)	(115)	(1,065)
The amount of transfer in association with changing from the simplified method to the principle method	(2)	(117)	(1,083)
Contributions to the system	(2)	-	-
Retirement benefit obligations at end of year	¥ 1,063	¥ 1,028	\$ 9,519

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

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Pension assets at beginning of year	¥ 7,269	¥ 7,309	\$ 67,676
Expected return on plan assets	225	225	2,083
Actuarial loss	(282)	(319)	(2,954)
Contributions from employer	652	614	5,685
Retirement benefits paid	(556)	(629)	(5,824)
Pension assets at end of year	¥ 7,309	¥ 7,199	\$ 66,657

III. Table of reconciliation of retirement benefit obligations and pension assets as of March 31, 2019 and 2020 and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Retirement benefit obligations under the savings-type plan	¥ 9,233	¥ 9,011	\$ 83,435
Plan assets at fair value	(7,309)	(7,199)	(66,657)
	1,924	1,811	16,769
Retirement benefit obligations under the non-savings-type plan	27,219	28,012	259,370
Net amount of liability and asset recorded in the consolidated balance sheet	¥29,143	¥29,824	\$276,148
	¥29,262	¥30,023	\$277,991
Net defined benefit liability	(118)	(199)	(1,843)
Net defined benefit asset			
Net amount of liability and asset recorded in the consolidated balance sheet	¥29,143	¥29,824	\$276,148

IV. Components of retirement benefit cost for the year ended March 31, 2019 and 2020

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Service cost	¥ 2,211	¥ 2,306	\$ 21,352
Interest cost	230	229	2,120
Expected return on plan assets	(225)	(225)	(2,083)
Amortization of actuarial loss	652	388	3,593
Amortization of prior service cost	38	38	352
Retirement benefit cost calculated using the simplified method	76	198	1,833
Retirement benefit cost for the defined benefit plan	¥ 2,982	¥ 2,936	\$ 27,185

V. Remeasurements of defined benefit plans, net of tax

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Prior service cost	¥ (38)	¥ (38)	\$ (352)
Actuarial loss	(190)	(118)	(1,093)
Total	¥ (228)	¥ (156)	\$ (1,444)

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, 2019 and 2020.

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Unrecognized prior service cost	¥ (242)	¥ (203)	\$ (1,880)
Unrecognized actuarial loss	(1,928)	(1,810)	(16,759)
Total	¥(2,171)	¥(2,014)	\$(18,648)

VII. Pension assets

1. The ratio by major category of the total pension assets as of March 31, 2019 and 2020 are set forth below.

	2019	2020
Bonds	38%	39%
Stocks	13%	17%
General account	28%	29%
Others	21%	15%
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, 2019 and 2020

	2019	2020
Discount rate	0.03% - 1.58%	(0.17)% - 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 ¥1,498 million and ¥1,525 million (\$14,120 thousand) for the year ended March 31, 2019 and 2020.

22. Income Taxes

Significant components of deferred tax assets and deferred tax liabilities at March 31, 2019 and 2020 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
Deferred tax assets:			
Valuation loss on inventories	¥ 569	¥ 213	\$ 1,972
Valuation loss on securities	2,280	2,508	23,222
Amortization of intangible assets	3,972	4,397	40,713
Allowance for doubtful accounts	115	115	1,065
Accrued expenses	777	484	4,481
Accrued bonuses to employees	3,879	3,907	36,176
Net defined benefit liability	8,589	8,755	81,065
Tax loss carried forward	7,915	10,737	99,417
Unrealized inter-company profits	825	1,024	9,481
Impairment losses on fixed assets	6,109	5,532	51,222
Loss of investments in silent partnerships	7	21	194
Valuation difference on consolidated subsidiaries	-	109	1,009
Undistributed loss from consolidated subsidiaries	226	283	2,620
Accrued enterprise tax/business office tax	1,452	1,400	12,963
Revaluation of assets for merger	7	7	65
Asset retirement obligations	1,898	2,333	21,602
Asset adjustment account	3,473	1,929	17,861
Other	5,837	8,048	74,519
Gross deferred tax assets	47,939	51,809	479,713
Valuation allowance related to tax loss carried forward (Note 2)	(4,854)	(6,802)	(62,981)
Valuation allowance related to future deductible temporary differences	(12,762)	(13,161)	(121,861)
Less: valuation allowance (Note 1)	(17,617)	(19,964)	(184,852)
Total deferred tax assets	¥ 30,321	¥ 31,845	\$ 294,861
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ 6,664	¥ 3,800	\$ 35,185
Valuation difference on consolidated Subsidiaries	28,072	28,031	259,546
Reserve for advanced depreciation of non-current assets	2,286	2,423	22,435
Loss on approval for exchange of land rights	591	1,118	10,352
Property, plant and equipment corresponding to asset retirement obligations	1,129	1,460	13,519
Other	3,623	2,193	20,306
Total deferred tax liabilities	42,366	39,027	361,361
Net deferred tax assets (liabilities)	¥(12,045)	¥ (7,182)	\$ (66,500)

Notes: 1. The valuation allowance increased by ¥2,346 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 tax loss carried forward, etc.
2. Tax losses carried forward and the amounts of their deferred tax assets according to carry-forward period deadlines.

	Yen (millions)						
	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	Total
2020							
Tax loss carried forward (Note 1)	-	-	8	95	1,370	9,263	10,737
Valuation allowance	-	-	-	(66)	(1,260)	(5,476)	(6,802)
Deferred tax assets	-	-	8	29	110	3,786	3,934 (Note 2)

Notes: 1. Tax losses carried forward indicate amounts multiplied by legally-designated effective tax rates.
2. Deferred tax assets amounting to ¥3,934 million have been posted in conjunction with the tax loss carried forward of ¥10,737 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)
	2019	2020	2020
Deferred tax assets – non-current	18,596	21,799	201,843
Deferred tax liabilities – non-current	¥30,641	¥28,982	\$268,352

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

	2019	2020
Statutory tax rate (Adjustments)	30.6%	30.6%
Items not included in tax deductions permanently, such as entertainment expenses	0.8%	0.7%
Items not included in taxable income permanently, such as dividend income	(0.1)%	(0.0)%
Temporary difference for consolidation	(2.0)%	(1.0)%
Inhabitant tax on a per capita basis	0.5%	0.5%
Increase/decrease in the amount of valuation reserve	6.5%	3.7%
Amortization of goodwill	2.8%	2.7%
Tax credit for wage increases and productivity improvement and tax incentives to promote capital expenditure on productivity enhancing equipment	(0.5)%	-
Equity in earnings of entities accounted for by the equity method	(0.1)%	(0.0)%
Exclusion from tax deductions directors' bonuses	0.1%	0.1%
Others	0.5%	1.4%
Effective tax rate	39.0%	38.8%

23. Investment and Rental Properties

The Company and certain consolidated subsidiaries own office buildings for lease in Tokyo and other areas. The carrying value in the consolidated balance sheet and corresponding fair value of those properties at March 31, 2019 and 2020 are as follows:

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

2020	Yen (millions)		
	Carrying value	Net change	Fair value
As of April 1, 2019	¥816,148	¥18,306	¥1,091,527
As of March 31, 2020	¥834,454		

2020	U.S. dollars (thousands)		
	Carrying value	Net change	Fair value
As of April 1, 2019	\$7,556,926	\$169,500	\$10,106,731
As of March 31, 2020	\$7,726,426		

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, 2020 is mainly attributable to the acquisition of properties, new opening and progress of properties to be developed before opening of ¥58,970 million (\$546,019 thousand). The increase during the year ended March 31, 2019 were mainly attributable to the acquisition of properties of ¥100,159 million.
The decrease during the year ended March 31, 2020 were mainly due to the sales of properties of ¥18,641 million (\$ 172,602 thousand), and transfers to real estate for sale of ¥19,059 million (\$ 176,472 thousand), respectively. The decrease during the year ended March 31, 2019 were mainly due to the sales of properties of ¥37,283 million, and transfers to real estate for sale of ¥32,847 million.
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 ¥52,883 million and ¥74,708 million (\$691,741 thousand) as of March 31, 2019 and 2020) is extremely difficult, since they are in the early stages of development. For this reason, they are not included in the table above.

24. Per Share Information

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

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

	Yen		U.S. dollars
	2019	2020	2020
Net asset per share of common stock as of March 31	¥780.78	¥811.04	\$7.51
Net income per share of common stock for the year ended March 31	¥ 56.84	¥ 53.70	\$0.50

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

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
For the year ended March 31			
Profit attributable to owners of parent	¥ 37,459	¥ 38,661	\$ 357,972
Profit attributable to owners of parent of common stock	¥ 37,459	¥ 38,661	\$ 357,972
Weighted average number of shares of common stock (thousands)	659,059	719,040	

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

	Yen (millions)		U.S. dollars (thousands)
	2019	2020	2020
As of March 31			
Total net assets	¥568,698	¥594,246	\$5,502,278
Amount deducted from total net assets	7,292	10,956	101,444
Non-controlling interests	(7,292)	(10,956)	(101,444)
Net assets of common stock at March 31	¥561,405	¥583,289	\$5,400,824
Number of shares of common stock at March 31 (thousands)	719,028	719,189	

25. Shareholders' Equity

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

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

26. Segment Information

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

(1) Urban Development; (i) development, leasing, and operation of office buildings, renewable energy power facilities, logistics facilities 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 other properties and, (ii) construction of common areas of condominiums, buildings and other properties, (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) Innovation Business, (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, 2020 and 2019 are less than 10 percent of consolidated revenue.

Summarized information by business segment for the year ended March 31, 2020 and 2019 are as follows:

Year ended March 31, 2019	Yen (millions)								Consolidated
	Urban Development	Residential	Property Management	Real Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/Headquarters	
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

Year ended March 31, 2020	Yen (millions)								Consolidated
	Urban Development	Residential	Property Management	Real Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/Headquarters	
Revenues:									
Third party customers	¥ 286,340	¥136,159	¥171,108	¥128,829	¥113,842	¥95,646	¥ 31,270	¥ -	¥ 963,198
Inter-segment	6,297	179	19,702	2,608	613	928	3,961	(34,290)	-
Total	¥ 292,637	¥136,338	¥190,811	¥131,438	¥114,455	¥96,574	¥ 35,231	¥ (34,290)	¥ 963,198
Operating profit/loss	52,525	8,541	8,729	15,220	3,474	243	(1,361)	(8,062)	79,312
Total assets	¥1,612,161	¥282,530	¥127,111	¥98,286	¥273,263	¥37,100	¥138,131	¥ (81,215)	¥2,487,369
Depreciation expenses	16,458	858	1,561	1,573	9,442	1,568	89	792	32,345
Amortization of goodwill	1,008	-	1,897	-	0	-	1	2,513	5,421
Investment in entities accounted for using equity method	2,339	-	-	192	-	-	97,306	779	100,617
Additions to property, plant and equipment and intangible assets	114,621	1,663	2,401	2,761	11,688	2,153	77	991	136,359

Year ended March 31, 2020	U.S. dollars (thousands)								Consolidated
	Urban Development	Residential	Property Management	Real Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/Headquarters	
Revenues:									
Third party customers	\$ 2,651,296	\$1,260,731	\$1,584,333	\$1,192,861	\$1,054,093	\$885,611	\$ 289,537	\$ -	\$ 8,918,500
Inter-segment	58,306	1,657	182,426	24,148	5,676	8,593	36,676	(317,500)	-
Total	\$ 2,709,602	\$1,262,389	\$1,766,769	\$1,217,019	\$1,059,769	\$894,204	\$ 326,213	\$ (317,500)	\$ 8,918,500
Operating profit/loss	486,343	79,083	80,824	140,926	32,167	2,250	(12,602)	(74,648)	734,370
Total assets	\$14,927,417	\$2,616,019	\$1,176,954	\$ 910,056	\$2,530,213	\$343,519	\$1,278,991	\$ (751,991)	\$23,031,194
Depreciation expenses	152,389	7,944	14,454	14,565	87,426	14,519	824	7,333	299,491
Amortization of goodwill	9,333	-	17,565	-	0	-	9	23,269	50,194
Investment in entities accounted for using equity method	21,657	-	-	1,778	-	-	900,981	7,213	931,639
Additions to property, plant and equipment and intangible assets	1,061,306	15,398	22,231	25,565	108,222	19,935	713	9,176	1,262,583

27. Significant Subsequent Events

Due to the spread of COVID-19, there have been incidents such as temporary closings and shortened opening hours of commercial facilities, operated facilities and stores of the Group and delays in constructions, in addition to the decreases in the number of visitors and impacts from voluntary restraint on business activities in each business of the Group.

Although the matters described above may affect the financial positions and operating results of the Group from the following consolidated fiscal year, it is difficult to reasonably estimate their impact at this moment.

Independent Auditor's Report



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Independent Auditor's Report

The Board of Directors
Tokyu Fudosan Holdings Corporation

Opinion

We have audited the accompanying consolidated financial statements of Tokyu Fudosan Holdings Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statement of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.



Revenue recognition for real estate sale transactions with related parties, parties with whom the Company has continuous real estate transactions, and special purpose companies	
Descriptions of Key Audit Matter	Auditor's Response
<p>The Company and its consolidated subsidiaries engage in real estate sales transactions with related parties, parties with whom the Company has continuous real estate transactions, and special purpose companies (hereinafter referred to as "related parties").</p> <p>In general, real estate sale transactions have unique conditions, and the amount of each real estate transaction is material to the financial statement. In particular, if the transferee is a related party, the transferor might have a continuous relationship through engaging in property management, having repurchase conditions, or holding a part of equity of the transferee. In such cases, judgement about whether almost all risks and economic values are transferred or not, might be complex and judgmental. If this judgment is incorrect, there is a risk that revenue or gain on sale might be recognized for the real estate sale transaction where almost all of the risks and economic values are not transferred to the transferee. Also, if the transferee is a related party, there is a risk that the transaction amount might be intentionally manipulated to recognize improper revenue or gain on sale, or avoid loss.</p> <p>Therefore, we determined that revenue recognition for real estate sale transactions with related parties is a key audit matter.</p>	<p>We conducted the following procedures to verify real estate sale transactions with related parties:</p> <ul style="list-style-type: none"> • Read the related approval documents, the minutes of the Group Executive Committee, and the minutes of the Board of Directors in order to understand the transactions. • Read the related sales contracts and other agreements, and inquired of management, in order to understand and assess the transaction terms and conditions. • Obtained an understanding of the relationship with the transferee, and the rationality for the transactions, and confirmed the consistency of our understanding with related external information, where available. • Compared the transaction price with similar historical transaction and the real estate appraisal report in order to verify the transaction amount. • Reviewed the bank statement and the certified copy of registry, in order to confirm the fact of transfer.



Impairment of Non-current assets of large-scale real estate developments	
Description of Key Audit Matter	Auditor's Response
<p>The Company and its consolidated subsidiaries engage in real estate development business. Under this business, assets are recorded as Non-current assets such as Land and Construction in progress on the Consolidated Balance Sheet. When an affiliate engages in the real estate investment business, its assets are recorded as Investment securities on the Company's Consolidated Balance Sheet.</p> <p>In the real estate development business, there is a risk that the investment cannot be recovered due to the changes in the development plan. Specifically, the following events might cause those changes: disagreement with landowners, disapprovals from the local government, delay of the construction, increase of construction costs, and delay of tenant leasing.</p> <p>In particular, large-scale real estate developments require large investments and have long development periods, therefore, they have a high degree of uncertainty and material potential impact on the financial statements.</p> <p>In terms of impairment of real estate development assets, the Company is required to determine if an indication of impairment exists, based on assumptions, such as the status of negotiation with landowners and local governments, planned tenant rent and occupancy rate, and construction costs. This impairment process includes significant judgement and assumptions by management. Consequently, there is a risk that impairment loss might not be recorded appropriately.</p> <p>Therefore, we determined that the impairment of Non-current assets of large-scale real estate developments is a key audit matter.</p>	<p>We conducted the following procedures to identify whether there is any indication of impairment on Non-current assets of large-scale real estate developments:</p> <ul style="list-style-type: none"> • Read the related approval documents, minutes of the Group Executive Committee, and minutes of the Board of Directors in order to understand the business plans and its progress. • Inquired of management and the department in charge, to understand the status of negotiation with landowners and local governments, the status of applications, and approval from city planning and scheme of exchange rights with new building. Confirmed the consistency of their responses with related external information, where available. • Inspected the development site to corroborate the information in the related documents read and responses received from management. • Compared the assumptions for planned tenant rent, occupancy rate, and construction cost with similar development projects and prior development results. • Read the related contracts when a construction contract or a lease contract was entered into as the development progresses, and compared the assumptions in the business plan with those contracts.



Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 25, 2020

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Certified Public Accountant

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