



RESORTTRUST, INC.

Consolidated Financial Statements

March 31, 2015 and 2014

KPMG AZSA LLC



Independent Auditor's Report

To the Board of Directors of RESORTTRUST, INC.:

We have audited the accompanying consolidated financial statements of RESORTTRUST, INC. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of RESORTTRUST, INC. and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

September 28, 2015
Nagoya, Japan

RESORTTRUST, INC. and Consolidated Subsidiaries
Consolidated Balance Sheets
March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
ASSETS			
Current Assets:			
Cash and cash equivalents (Notes 8 and 15)	¥ 66,405	¥ 51,965	\$ 553,375
Short-term investments (Notes 3 and 15)	29,659	9,999	247,158
Receivables (Note 15):			
Trade notes	147	85	1,225
Trade accounts	5,848	5,895	48,734
Installment loans	27,448	23,305	228,733
Inventories (Notes 4 and 8)	22,136	16,341	184,467
Deferred tax assets (Note 12)	3,715	4,033	30,958
Prepaid expenses and other current assets	3,739	2,927	31,159
Allowance for doubtful accounts	(773)	(646)	(6,442)
Total current assets	158,324	113,904	1,319,367
Property and Equipment:			
Land (Notes 5, 6 and 8)	40,417	39,177	336,808
Golf courses (Notes 5 and 8)	9,564	11,037	79,700
Buildings and structures (Notes 5, 6 and 8)	164,947	132,310	1,374,558
Machinery and equipment	12,231	12,168	101,925
Other	17,495	13,271	145,792
Leased assets (Note 14)	4,150	4,017	34,583
Construction in progress (Note 8)	4,007	2,304	33,392
Total	252,811	214,284	2,106,758
Accumulated depreciation	(99,027)	(94,316)	(825,225)
Net property and equipment	153,784	119,968	1,281,533
Investments and Other Assets:			
Investment securities (Notes 3, 8 and 15)	60,806	49,890	506,717
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 3, 13 and 15)	10,359	10,346	86,325
Goodwill	231	359	1,925
Other intangible assets	3,121	2,744	26,008
Deferred tax assets (Note 12)	124	1,442	1,033
Other assets (Notes 8, 9 and 15)	10,473	8,604	87,275
Allowance for doubtful accounts	(6,390)	(6,483)	(53,250)
Total investments and other assets (Notes 13 and 15)	78,724	66,902	656,033
Total Assets	¥ 390,832	¥ 300,774	\$ 3,256,933

See Notes to Consolidated Financial Statements.

RESORTTRUST, INC. and Consolidated Subsidiaries
Consolidated Balance Sheets (Continued)
March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Short-term borrowings (Notes 7, 8 and 15)	¥ 5,000	¥ 750	\$ 41,667
Current portion of long-term debt (Notes 7, 8 and 15)	7,482	9,203	62,350
Notes and accounts payable (Note 15):			
Trade accounts	1,096	913	9,133
Other	9,302	12,753	77,517
Income taxes payable (Note 15)	4,482	4,594	37,350
Other current liabilities (Notes 7 and 8)	34,234	20,311	285,283
Total current liabilities	61,596	48,524	513,300
Long-Term Liabilities:			
Long-term debt (Notes 7, 8 and 15)	109,287	57,444	910,725
Employees' retirement benefit liability (Note 9)	860	1,038	7,166
Accrued severance indemnities for directors and corporate auditors	2,103	1,997	17,525
Long-term guarantee deposits received	103,154	103,925	859,617
Deferred tax liabilities (Note 12)	1,640	1,073	13,667
Other long-term liabilities	7,422	5,378	61,850
Total long-term liabilities	224,466	170,855	1,870,550
Commitments and Contingent Liabilities (Note 8)			
Net Assets (Notes 10 and 11):			
Shareholders' Equity (Notes 9):			
Common stock: Authorized - 150,000,000 shares			
Issued - 106,014,756 shares in 2015 and 103,411,496 shares in 2014	16,977	14,258	141,475
Capital surplus	19,984	14,653	166,533
Retained earnings	57,807	48,984	481,725
Treasury stock at cost: 2,554,929 shares in 2015 and 5,316,944 shares in 2014	(2,706)	(4,972)	(22,550)
Total shareholders' equity:	92,062	72,923	767,183
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	4,743	1,307	39,525
Foreign currency translation adjustments	2,671	-	22,258
Retirement benefit adjustment	258	159	2,150
Stock acquisition rights	57	133	475
Minority interests	4,979	6,873	41,492
Total net assets	104,770	81,395	873,083
Total Liabilities and Net Assets	¥ 390,832	¥ 300,774	\$ 3,256,933

RESORTTRUST, INC. and Consolidated Subsidiaries
**Consolidated Statements of Income
For the Years Ended March 31, 2015 and 2014**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
Net Sales (Note 19)	¥ 120,402	¥ 116,825	\$ 1,003,350
Cost of Sales	18,052	21,384	150,433
Gross profit	102,350	95,441	852,917
Selling, General, and Administrative Expenses	86,308	80,251	719,234
Operating income (Note 19)	16,042	15,190	133,683
Other Income (Expenses):			
Interest and dividends	1,712	884	14,267
Interest expense	(511)	(275)	(4,258)
Reversal of allowance for doubtful accounts, net	28	1,085	233
Loss on impairment of long-lived assets (Note 5)	(2,707)	(317)	(22,558)
Write-down of investment in partnerships	-	(1,000)	-
Foreign exchange gain, net	3,509	1	29,241
Gain on sales of investment securities	498	-	4,150
Other, net	(861)	(160)	(7,175)
Other income, net	1,668	218	13,900
Income Before Income Taxes and Minority Interests	17,710	15,408	147,583
Income Taxes (Note 12):			
Current	7,749	6,818	64,575
Deferred	195	(73)	1,625
Total income taxes	7,944	6,745	66,200
Income Before Minority Interests	9,766	8,663	81,383
Minority Interests in Net Losses of Consolidated Subsidiaries	(2,085)	(71)	(17,375)
Net Income	¥ 11,851	¥ 8,734	\$ 98,758
	Yen		U.S. Dollars
Per Share of Common Stock (Note 2(u)):			
Net Income:			
- Basic	¥ 120.30	¥ 89.71	\$ 1.00
- Diluted	108.69	84.59	0.91
Cash dividends	43.00	31.00	0.36

See Notes to Consolidated Financial Statements.

RESORTTRUST, INC. and Consolidated Subsidiaries

**Consolidated Statements of Comprehensive Income
For the Years Ended March 31, 2015 and 2014**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
Income Before Minority Interests	¥ 9,766	¥ 8,663	\$ 81,383
Other Comprehensive Income (Note 18) :			
Net changes in unrealized gains on available-for-sale securities	3,436	911	28,633
Foreign currency translation adjustments	2,671	-	22,258
Retirement benefit adjustment	98	-	818
Total other comprehensive income	6,205	911	51,709
Comprehensive Income	¥ 15,971	¥ 9,574	\$ 133,092
Comprehensive Income Attributable to:			
Owners of the parent	¥ 18,056	¥ 9,644	\$ 150,467
Minority interests	(2,085)	(71)	(17,375)

See Notes to Consolidated Financial Statements.

RESORTTRUST, INC. and Consolidated Subsidiaries
**Consolidated Statements of Changes in Net Assets
For the Years Ended March 31, 2015 and 2014**

	Millions of Yen				
	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
BALANCE, MARCH 31, 2013	¥ 14,258	¥ 13,907	¥ 43,392	¥ (5,680)	¥ 65,877
Cumulative effects of changes in accounting policies	-	-	(188)	218	30
Restated amount	14,258	13,907	43,204	(5,462)	65,907
Changes in items during the year					
Net income	-	-	8,734	-	8,734
Cash dividends	-	-	(2,954)	-	(2,954)
Issuance of stock	-	-	-	-	-
Purchase of treasury stock	-	-	-	(11)	(11)
Disposal of treasury stock	-	746	-	501	1,247
Change in scope of consolidation	-	-	-	-	-
Net changes in items other than shareholders' equity for the year	-	-	-	-	-
Total changes in items during the year	-	746	5,780	490	7,016
BALANCE, MARCH 31, 2014	14,258	14,653	48,984	(4,972)	72,923
Cumulative effects of changes in accounting policies	-	-	818	-	818
Restated amount	14,258	14,653	49,802	(4,972)	73,741
Changes in items during the year					
Net income	-	-	11,851	-	11,851
Cash dividends	-	-	(3,613)	-	(3,613)
Issuance of stock	2,719	2,719	-	-	5,438
Purchase of treasury stock	-	-	-	(5)	(5)
Disposal of treasury stock	-	2,612	-	2,271	4,883
Change in scope of consolidation	-	-	(233)	-	(233)
Net changes in items other than shareholders' equity for the year	-	-	-	-	-
Total changes in items during the year	2,719	5,331	8,005	2,266	18,321
BALANCE, MARCH 31, 2015	¥ 16,977	¥ 19,984	¥ 57,807	¥ (2,706)	¥ 92,062

	Millions of Yen						
	Accumulated Other Comprehensive Income						
	Unrealized Gain (Loss) on Available-for-sale Securities	Retirement Benefit Adjustment	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Minority Interests	Total Net Assets
BALANCE, MARCH 31, 2013	¥ 396	-	-	¥ 396	¥ 287	¥ 6,585	¥ 73,145
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	30
Restated balance	396	-	-	396	287	6,585	73,175
Changes in items during the year							
Net income	-	-	-	-	-	-	8,734
Cash dividends	-	-	-	-	-	-	(2,954)
Issuance of stock	-	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	-	-	(11)
Disposal of treasury stock	-	-	-	-	-	-	1,248
Change in scope of consolidation	-	-	-	-	-	-	-
Net changes in items other than shareholders' equity for the year	911	159	-	1,070	(154)	288	1,203
Total changes in items during the year	911	159	-	1,070	(154)	288	8,220
BALANCE, MARCH 31, 2014	1,307	159	-	1,466	133	6,873	81,395
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	818
Restated balance	1,307	159	-	1,466	133	6,873	82,213
Changes in items during the year							
Net income	-	-	-	-	-	-	11,851
Cash dividends	-	-	-	-	-	-	(3,613)
Issuance of stock	-	-	-	-	-	-	5,438
Purchase of treasury stock	-	-	-	-	-	-	(5)
Disposal of treasury stock	-	-	-	-	-	-	4,883
Change in scope of consolidation	-	-	-	-	-	-	(233)
Net changes in items other than shareholders' equity for the year	3,436	99	2,671	6,206	(76)	(1,894)	4,236
Total changes in items during the year	3,436	99	2,671	6,206	(76)	(1,894)	22,557
BALANCE, MARCH 31, 2015	¥ 4,743	¥ 258	¥ 2,671	¥ 7,672	¥ 57	¥ 4,979	¥ 104,770

See Notes to Consolidated Financial Statements.

RESORTTRUST, INC. and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets (Continued)
For the Years Ended March 31, 2015 and 2014

	Thousands of U.S. Dollars (Note 1)				
	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
BALANCE, MARCH 31, 2014	\$ 118,817	\$ 122,108	\$ 408,200	\$ (41,433)	\$ 607,692
Cumulative effects of changes in accounting policies	-	-	6,817	-	6,817
Restated amount	118,817	122,108	415,017	(41,433)	614,509
Changes in items during the year					
Net income	-	-	98,758	-	98,758
Cash dividends	-	-	(30,109)	-	(30,109)
Issuance of stock	22,658	22,658	-	-	45,316
Purchase of treasury stock	-	-	-	(42)	(42)
Disposal of treasury stock	-	21,767	-	18,925	40,692
Change in scope of consolidation	-	-	(1,941)	-	(1,941)
Net changes in items other than shareholders' equity for the year	-	-	-	-	-
Total changes in items during the year	22,658	44,425	66,708	18,883	152,674
BALANCE, MARCH 31, 2015	\$ 141,475	\$ 166,533	\$ 481,725	\$ (22,550)	\$ 767,183

	Thousands of U.S. Dollars (Note 1)						
	Accumulated Other Comprehensive Income						
	Unrealized Gain (Loss) on Available-for-sale Securities	Retirement Benefit Adjustment	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income	Stock Acquisition Rights	Minority Interests	Total Net Assets
BALANCE, MARCH 31, 2014	\$ 10,892	\$ 1,325	-	\$ 12,217	\$ 1,108	\$ 57,275	\$ 678,292
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	6,817
Restated amount	10,892	1,325	-	12,217	1,108	57,275	685,109
Changes in items during the year							
Net income	-	-	-	-	-	-	98,758
Cash dividends	-	-	-	-	-	-	(30,109)
Issuance of stock	-	-	-	-	-	-	45,316
Purchase of treasury stock	-	-	-	-	-	-	(42)
Disposal of treasury stock	-	-	-	-	-	-	40,692
Change in scope of consolidation	-	-	-	-	-	-	(1,941)
Net changes in items other than shareholders' equity for the year	28,633	825	22,258	51,717	(633)	(15,783)	35,301
Total changes in items during the year	28,633	825	22,258	51,717	(633)	(15,783)	187,975
BALANCE, MARCH 31, 2015	\$ 39,525	\$ 2,150	\$ 22,258	\$ 63,934	\$ 475	\$ 41,492	\$ 873,084

RESORTTRUST, INC. and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 17,710	¥ 15,408	\$ 147,583
Adjustments for:			
Depreciation	5,896	5,530	49,134
Loss on impairment of long-lived assets	2,707	317	22,558
Changes in assets and liabilities:			
Increase in trade notes and accounts receivable	(4,140)	(1,597)	(34,500)
(Increase) decrease in inventories	(6,021)	4,481	(50,175)
Increase (decrease) in allowance for doubtful accounts	34	(1,126)	283
Increase (decrease) in notes and accounts payable - trade	175	(14)	1,458
Increase in accounts payable - other	1,296	551	10,800
Increase in advances received	9,943	2,577	82,858
Decrease in long-term guarantee deposits received	(884)	(1,260)	(7,367)
Increase in employees' retirement benefit liability	98	278	817
Other, net	1,946	3,962	16,217
Subtotal	28,760	29,107	239,666
Interest and dividend received	1,679	753	13,992
Interest paid	(502)	(268)	(4,183)
Income taxes paid	(7,879)	(4,777)	(65,658)
Net cash provided by operating activities	22,058	24,815	183,817
Cash Flows from Investing Activities:			
Net (increase) decrease in short-term investments	(12,907)	14,398	(107,558)
Purchases of investment securities	(30,561)	(28,087)	(254,675)
Proceeds from sales and redemption of investment securities	14,137	1,800	117,808
Increase in property and equipment	(39,516)	(18,440)	(329,300)
Increase in intangible assets	(757)	(264)	(6,308)
Payment for acquisition of subsidiaries' stock, net of cash acquired	-	(2,374)	-
Payments for loans receivable	(218)	(124)	(1,817)
Collections of loans receivable	148	2,124	1,233
Other, net	(2,163)	(2,781)	(18,025)
Net cash used in investing activities	(71,837)	(33,748)	(598,642)
Cash Flows from Financing Activities:			
Increase in short-term borrowings, net	4,250	600	35,417
Increase in long-term debt	36,270	17,828	302,250
Repayments of long-term debt	(9,053)	(9,383)	(75,441)
Proceeds from issuance of bonds	32,692	15,048	272,433
Dividends paid	(3,613)	(2,954)	(30,108)
Proceeds from disposals of treasury stock, net of purchases	535	1,118	4,458
Increase in deposits received from unconsolidated subsidiaries and associated companies, net	200	100	1,666
Other, net	(921)	(177)	(7,675)
Net cash provided by financing activities	60,360	22,180	503,000
Effect of exchange rate changes on cash and cash equivalents	3,859	2	32,158
Net increase in cash and cash equivalents	14,440	13,249	120,333
Cash and cash equivalents at the beginning of the period	51,965	38,716	433,042
Cash and cash equivalents at the end of the period	¥ 66,405	¥ 51,965	\$ 553,375

See Notes to Consolidated Financial Statements.

RESORTTRUST, INC. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of RESORTTRUST, INC. (the “Company”) and its consolidated subsidiaries (together with the Company, the “Group”) have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of the International Financial Reporting Standards.

The accompanying consolidated financial statements have been reformatted and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instrument and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements has not been presented in the accompanying consolidated financial statements. In addition, certain comparative figures have been reclassified to conform to the current year’s presentation.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and using the approximate rate of exchange at March 31, 2015, which was ¥120 to U.S. \$1.00. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at that or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investments in significant unconsolidated subsidiaries and associated companies are accounted for using the equity method. Investments in unconsolidated subsidiaries and associated companies not accounted for using the equity method are stated at cost. If the equity method of accounting had been applied to investments in these companies, the effect on the accompanying consolidated financial statements would have been immaterial.

The number of consolidated subsidiaries, unconsolidated subsidiaries and associated companies for the years ended March 31, 2015 and 2014 were as follows.

	2015	2014
Consolidated subsidiaries	20	19
Associated companies accounted for using the equity method	5	5
Unconsolidated subsidiaries stated at cost	5	5
Associated companies stated at cost	3	3

The difference between the acquisition cost of an acquired subsidiary and the underlying net assets at the time of acquisition is accounted for as goodwill and amortized using the straight-line method over five years. Generally, negative goodwill resulting from an acquisition in which the fair value of the underlying net assets exceeds the acquisition cost is credited to income. However,

negative goodwill resulting from an acquisition which occurred before April 1, 2010 is amortized over 10 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Group also have been eliminated.

Under the control or influence concept, companies over which the Company directly or indirectly is able to exercise control of such companies' operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for using the equity method.

(b) Business Combinations

In December 2008, the Accounting Standards Board of Japan ("ASBJ") issued a revised accounting standard for business combinations per ASBJ Statement No. 21, entitled the "Accounting Standard for Business Combinations." follow. First, the revised standard requires accounting for business combinations using only the purchase method, thereby no longer allowing the use of the pooling-of-interests method. Second, while the previous accounting standard required research and development costs to be charged to income as incurred, the revised standard requires in-process research and development costs acquired in a business combination to be capitalized as intangible assets. Third, while the previous accounting standard provided for bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years, the revised standard requires the acquirer to recognize bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all assets acquired and all liabilities assumed have been identified from review of the procedures used in the purchase price allocation. This standard has and is applied to business combinations undertaken on or after April 1, 2010.

(c) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and are not exposed to any significant risk of change in value. Cash equivalents include time deposits, certificates of deposit and call loans with original maturities of three months or less.

(d) Inventories

Merchandise, raw materials and supplies are stated at the lower of cost, as determined principally by the last purchase price method, or net selling value.

Real estate for sale and real estate for sale under construction are stated at the lower of cost, determined by the specific identification method, or net selling value.

(e) Marketable and Investment Securities

Marketable and investment securities are classified and accounted for according to management's intent, as follows:

- i) held-to-maturity debt securities, which are expected to be held to maturity with the intent and ability to hold to maturity, are reported at amortized cost; and,
- ii) available-for-sale securities, which are not classified as held-to-maturity or trading securities, are reported at fair value with unrealized gains and losses, net of applicable taxes, as a separate component of accumulated other comprehensive income.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in the fair values of investment securities, such securities are reduced to their net realizable values through charging to income.

(f) Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is computed principally by the declining balance method, except for buildings which are accounted for by the straight-line method. Certain consolidated subsidiaries calculate depreciation by the straight-line method. The range of useful lives is principally 3 to 60 years for buildings and structures and principally 2 to 17 years for machinery and equipment. The Group capitalizes property with a cost of ¥100,000 or more, and depreciates property that is more than ¥100,000 but less than ¥200,000 over three years on a straight-line method. Leased assets as lessee are depreciated by the straight-line method over the lease period. Assets acquired on or after April 1, 2012 are depreciated using the method prescribed in the amended corporate tax law.

(g) Foreign Currency Transactions and Foreign Currency Financial Statements

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rate at the balance sheet date. The foreign exchange gains and losses from the translation are recognized in the income statement. Assets and liabilities of the consolidated foreign subsidiaries are translated into Japanese yen at current exchange rates as of the balance sheet date of the consolidated foreign subsidiaries except for equity, which is translated at the historical rate. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate. Differences arising from translation are shown as “Foreign currency translation adjustments” in a separate component of net assets.

(h) Impairment of Long-lived Assets

The Group has adopted the “Accounting Standard for Impairment of Fixed Assets” and related practical guidance. The standard requires a review of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized when the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected from continued use and eventual disposition of the asset or asset group. The impairment loss is measured at the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the value in use, the discounted cash flows from continued use and eventual disposition of the asset or the net selling price.

(i) Leases

In March 2007, the ASBJ issued ASBJ Statement No.13, entitled the “Accounting Standard for Lease Transactions,” which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions became effective from fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if capitalized” information was disclosed in the notes to the lessee’s financial statements. The revised accounting standard requires the capitalization of all finance lease transactions so that lease assets and lease obligations are recognized in the balance sheets. The revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions. All other leases are accounted for as operating leases.

(j) Other Intangible Assets

Other intangible assets are amortized by the straight-line method. Software for internal use is amortized over five years.

(k) Allowance for doubtful accounts

An allowance for doubtful accounts has been provided for at the aggregate amount of estimated credit losses based on individual reviews of certain doubtful or troubled receivables. A general reserve for other receivables has also been provided based on the historical loss experience of a certain past period.

(l) Allowance for Loss on Guarantees

In order to provide for losses arising from guarantees of members' bank loans, an allowance for loss on guarantees is provided based on past experience of loss on such guarantees and the estimated amounts of guarantees on specific doubtful accounts. At March 31, 2015 and 2014, an allowance for loss on guarantees in the amount of ¥151 million (\$1,258 thousand) and ¥150 million, respectively, was included in other current liabilities.

(m) Employees' Retirement Benefit Liabilities

The Company and certain consolidated subsidiaries have defined benefit plans and unfunded retirement benefit plans for their employees. Other consolidated subsidiaries have unfunded retirement benefit plans only.

The Group recognizes retirement benefits for employees, including pension costs and related liabilities, based principally on the actuarial present value of retirement benefit obligation using the actuarial appraisal approach and the value of pension plan assets available for benefits at the fiscal year-end.

In calculating the retirement benefit obligation, expected retirement benefits are attributed to the period up to the end of the respective fiscal year based on the benefit formula basis. Actuarial differences arising from changes in the retirement benefit obligation or the value of pension plan assets not anticipated under previous assumptions and/or from changes in the assumptions themselves are amortized on a straight-line basis over five years, a period within the remaining service years of employees, measured from the year following the year in which they arise. Past service costs are amortized on a straight-line basis over five years, a period within the remaining service years of employees, measured from the year in which such service costs arise.

Actuarial differences and past service costs that had yet to be recognized in profit or loss have been recognized as retirement benefit adjustment and the difference between the retirement benefit obligations and plan assets has been recognized as employees' retirement benefit asset or liability in the balance sheet.

(n) Accrued Severance Indemnities for Directors and Corporate Auditors

The Company and one of its consolidated subsidiaries provide for accrued severance indemnities for directors and corporate auditors. In accordance with internal policies, such accrued severance indemnities are recorded as liabilities at the amounts which would be paid out if the directors and corporate auditors retired at the balance sheet date.

(o) Stock Options

In December 2005, the ASBJ issued ASBJ Statement No. 8, entitled the "Accounting Standard for Stock Options", and its related guidance. The new standard and guidance are applicable to stock options newly granted on or after May 1, 2006. This standard requires companies to measure the cost of employee stock options based on fair value at the date of grant and recognize

compensation expense over the vesting period as consideration for receiving goods or services from such employees. The new standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock options or goods or services received from the non-employees. In the balance sheet, stock options are presented as stock acquisition rights and a separate component of net assets until exercised. The new standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the new standard allows unlisted companies to measure stock options at their intrinsic value if the fair value cannot be reliably estimated.

(p) Stock and Bond Issue Costs

Stock and bond issue costs are charged to income as incurred.

(q) Income Taxes

The provision for income taxes is computed based on the pre-tax income included in the consolidated statements of income. The asset-liability approach is used to recognize deferred tax assets and liabilities for expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the promulgation date.

(r) Enterprise Taxes

The Company and certain consolidated subsidiaries record enterprise taxes calculated based on the “added value” and “capital” amounts when levied as size-based corporate taxes for local government enterprise taxes and include such taxes in selling, general and administrative expenses.

(s) Appropriation of retained earnings

Cash dividends are recorded in the fiscal year in which a proposed appropriation of retained earnings is approved by the Board of Directors and/or the shareholders of the Company.

(t) Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage exposure to fluctuations in foreign exchange and interest rates. The Group does not enter into derivatives for trading or speculative purposes.

All derivatives are recognized as either assets or liabilities and measured at fair value. Gains and losses on derivative transactions are recognized in the income statements. For derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of the high correlation between and effectiveness of the hedging instruments and the hedged items, gains and losses on such derivatives are deferred until the maturity of the hedged transactions.

Long-term debt denominated in foreign currencies for which currency swaps are used to hedge foreign currency fluctuations are translated at the contracted rate if such currency swaps qualify for hedge accounting.

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not revalued at market value, but the differences in payments made or received under such swap arrangements are recognized and included in interest expense or income.

(u) Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the year, retroactively adjusted for stock splits.

Diluted net income per share is computed to reflect the potential dilution that could occur if securities were exercised or converted into common stock, assuming the full exercise of outstanding stock options or convertible bonds.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared by the Company applicable to the respective years, including dividends to be paid after the end of each year, retroactively adjusted for stock splits.

(v) Changes in accounting policies

(Application of accounting standard for retirement benefits)

The Company has applied the revised accounting standard for retirement benefits (ASBJ Statement No. 26, issued on May 17, 2012, hereinafter referred to as “Accounting Standard for Retirement Benefits”) and revised implementation guidance on accounting standard for retirement benefits (ASBJ Guidance No. 25, issued on March 26, 2015, hereinafter referred to as “Implementation Guidance on Retirement Benefits”) from the beginning of the fiscal year ended March 31, 2015 in compliance with the provisions stipulated in the texts of the paragraph 35 of the Accounting Standard for Retirement Benefits and paragraph 67 of the Implementation Guidance on Retirement Benefits. In accordance with Accounting Standard for Retirement Benefits and Implementation Guidance on Retirement Benefits, the Company revised the method used to calculate retirement benefit obligation and current service cost, changed the method used to attribute expected benefit to periods of service from the straight-line basis to the benefit formula basis and changed the method used to determine the discount rate to a method that uses a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, from that based on the period approximate to the expected average remaining working years of employees.

Pursuant to the transitional treatment stipulated in the paragraph 37 of Accounting Standard for Retirement Benefits, the effect of the revision of the change in method used to calculate for retirement benefit obligation and current service cost was recorded as an increase in retained earnings at the beginning of the fiscal year ended March 31, 2015.

As a result, employees’ retirement benefit asset (included in other assets) increased by ¥887 million (\$7,392 thousand) employees’ retirement benefit liability decreased by ¥377 million (\$3,142 thousand) and retained earnings increased by ¥818 million (\$6,817 thousand) at the beginning of the fiscal year ended March 31, 2015. Operating income, ordinary income and income before income taxes and minority interests each increased by ¥34 million (\$283 thousand) for the fiscal year ended March 31, 2015.

(Application of Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc, through Trusts (ASBJ Practical Issues Task Force No. 30, issued on March 26, 2015, hereinafter referred to as “PITF No. 30”))

The Company has applied the Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc, through Trusts (PITF No. 30) from the beginning of the fiscal year ended March 31, 2015. Pursuant to PITF No. 30, the Company recognizes the disposal balance when it transfers treasury stock to the trust. Gains and losses related to sales of shares by the trust to the Employee Stock Ownership Association, dividends paid by the Company on shares held by the trust and net charges related to the trust are recorded as liabilities.

Expenses and corresponding provisions are recorded based on the amount calculated

multiplying the number of shares in line with the points awarded to employees by share prices when the trust acquired the treasury stock.

The changes in accounting policies have been retrospectively applied to the consolidated financial statements for the fiscal year ended March 31, 2014.

Consequently, compared with figures before the retrospective application, operating income increased by ¥71 million (\$592 thousand) and ordinary income and income before income taxes and minority interests increased by ¥98 million (\$817 thousand) for the fiscal year ended March 31, 2015.

In addition, the impact on net assets at the beginning of the previous fiscal year has been reflected, resulting in a decrease of ¥188 million in retained earnings at the beginning of the fiscal year ended March 31, 2014, an increase of ¥142 million and ¥684 million in the deposits received (included in other of non-current liabilities) and capital surplus, respectively, at the end of the fiscal year ended March 31, 2014 and decrease of ¥98 million, ¥101 million and ¥605 million in provision for shares benefit, retained earnings and treasury stock, respectively, at the end of the fiscal year ended March 31, 2014.

Common stock held by the trust is accounted for as treasury stock with a book value excluding incidental acquisition costs in the net assets section of the consolidated balance sheet. The number of shares of common stock held by the trust at March 31, 2015 and March 31, 2014 was 2,009 thousand and 2,153 thousand with a book value of ¥2,256 million (\$18,800 thousand) and ¥2,373 million respectively.

The book value of long-term loans payable for the borrowings of the trust that have been guaranteed by the Company and recorded using the gross method at March 31, 2015 and March 31, 2014 were ¥107 million (\$892 thousand) and ¥279 million, respectively.

(w) Additional information

(Transactions of delivering the Company's own stock to employees, etc, through trusts)

The Company implemented transactions of delivering the Company's own stock to employees, etc, through trusts for the purpose of improving corporate value over the medium to long term.

(1) Overview of the transactions:

“Employee Stock Ownership Plan (“ESOP”) utilizing Employee Shareholding Association”

The Company implemented an employee incentive plan, entitled the “ESOP utilizing Employee Stock Ownership Association,” for the purposes of improving corporate value through enhancing benefit programs for employees who support the future growth of the Company and increasing employees' motivation to work and awareness of the Company stock prices.

Under the plan, the Company transfers shares of treasury stock held by the company to be acquired by the Employee Stock Ownership Association of the Company to trust ports of Trust & Custody Services Bank, Ltd (the “Trust”). The Trust sells the shares of treasury stock when the Employee Shareholding Association acquires the shares. Accumulated gain on the sale by the terms of the Trust will be appropriated to the members of the Employee Shareholding Association as residual asset.

i) “ESOP - Stock Granting Plan” and “ESOP - Performance-linked Plan”

The Company implemented an employee incentive plans, entitled the ESOP- Stock Granting Plan” and “ESOP - Performance- linked Plan,” in order to increase the motivation and morale of employees through further correlating the treatment of employee performance with the business performance and stock prices of the Company and sharing with everyone the best interests of the shareholders' economic effect. Under the plan, the Company's shares will be granted to employees who meet certain requirements in accordance with the Company's predetermined stock granting policies for employees. The Company will award points to employees based on length of services and performance. Employees will receive Company shares in line with the

points awarded. The estimated numbers of Company's shares to be awarded to employees will be acquired and separately secured by the Trust established for the plans by using the funds required for the Trust to purchase the Company's stock.

ii) "Board Benefit Trust"

The Company implemented the "Board Benefit Trust" ("BBT"), an incentive plan for the board members, except for the members of Audit & Supervisory Committee, in order to further recognize the business performance and stock prices of the Company and to share with them the best interests of the shareholders' economic effect. Furthermore, the plan is expected to motivate the members of Audit & Supervisory Committee to enhance the social valuation of the Company through maintaining sound management and social confidence in the Company. Under the plan, the Company's shares will be granted to the board members who meet certain requirements in accordance with the Company's predetermined stock granting policies for board members. The Company will award the points to board members based on business performance, etc. Board members will receive Company's shares in line with the points awarded when they retire as board members. The estimated number of Company's shares to be awarded to board members will be acquired and separately secured by the Trust established for the plans by using the funds required for the Trust to purchase the Company's stock.

(2) Treasury stock held by the Trust:

The common stock held by the Trust is accounted for as treasury stock with a book value, excluding incidental acquisition costs, in the net assets section of the consolidated balance sheet. The number of shares of common stock held by the trust at March 31, 2015 and March 31, 2014 was as follows:

March 31, 2015

	Book value (Millions of yen)	Number of shares
ESOP utilizing Employee Shareholding Association	¥ 307	478,600
ESOP - Stock Granting Plan & ESOP - Performance-linked Plan	950	965,400
Board Benefit Trust	1,000	565,200
Total	¥ 2,257	2,009,200

March 31, 2014

	Book value (Millions of yen)	Number of shares
ESOP utilizing Employee Shareholding Association	¥ 355	554,000
ESOP - Stock Granting Plan & ESOP - Performance-linked Plan	1,018	1,034,400
Board Benefit Trust	1,000	565,200
Total	¥ 2,373	2,153,600

(2) Book value of long-term loans payable recorded using the gross method:

The book value of long-term loans payable for the borrowings of the Trust that have been guaranteed by the Company and recorded using the gross method at March 31, 2015 and March 31, 2014 were ¥107 million (\$892 thousand) and ¥280 million, respectively.

(x) New Accounting Pronouncement

Accounting Standard for Business Combinations (ASBJ Statement No. 21)

Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22)

Accounting Standard for Business Divestitures (ASBJ Statement No. 7)

Accounting Standard for Earnings Per Share (ASBJ Statement No. 2)
Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10)
Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4)

Statement No. 21, 22, 7 and 2 and Guidance No. 10 and 4 have been issued by ASBJ on September 13, 2013, but not yet adopted in these consolidated financial statements.

(1) Overview:

These standards and guidance mainly revised the accounting treatment as follows:

- i) any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary
- ii) corresponding accounting for acquisition-related costs
- iii) the presentation method of net income was changed and the reference to "minority interests" was changed to "non-controlling interests"
- iv) transitional provisions for these accounting standards

(2) Effective dates:

These accounting standards and guidance will be applied to the Group's consolidated financial statements from the beginning of the fiscal year ending March 31, 2016. Transitional provisions for these accounting standards will be applied to the Group's business combinations conducted on or after the beginning of the fiscal year ending March 31, 2016.

(3) Effect of adopting the accounting standard:

The impact of the adoption of the revised accounting standards and guidance is under evaluation.

3. MARKETABLE AND INVESTMENT SECURITIES

At March 31, 2015 and 2014, short-term investments consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Time deposits with original maturity of more than three months	¥ 466	¥ 300	\$ 3,883
Securities with fair value:			
Corporate bonds and other debt securities	9,187	4,700	76,558
Trust fund investments and others	20,006	4,999	166,717
Subtotal	29,193	9,699	243,275
Total short-term investments	¥ 29,659	¥ 9,999	\$ 247,158

At March 31, 2015 and 2014, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Securities with fair value:			
Equity securities	¥ 5,946	¥ 4,890	\$ 49,550
Corporate bonds and other debt securities	54,455	44,735	453,792
Trust fund investment trusts and other	387	247	3,225
Subtotal	60,788	49,872	506,567
Other securities without fair value	18	18	150
Total investment securities	¥ 60,806	¥ 49,890	\$ 506,717

The costs and aggregate fair values of investment securities as of March 31, 2015 and 2014 were as follows.

March 31, 2015	Millions of yen			
	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 3,451	¥ 2,547	¥ (53)	¥ 5,945
Corporate bonds and other debt securities	59,332	4,546	(236)	63,642
Trust fund investments and other	20,404	2	(13)	20,393
Held-to-maturity:				
Corporate bonds and other debt securities	-	-	-	-

March 31, 2014	Millions of yen			
	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 3,760	¥ 1,352	¥ (222)	¥ 4,890
Other debt securities	30,484	656	(171)	30,969
Trust fund investments and other	5,213	37	(4)	5,246
Held-to-maturity:				
Corporate bonds and other debt securities	18,466	316	(78)	18,704

March 31, 2015	Thousands of U.S. dollars			
	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 28,758	\$ 21,225	\$ (441)	\$ 49,542
Corporate bonds and other debt securities	494,433	37,883	(1,966)	530,350
Trust fund investments and other	170,033	17	(108)	169,942
Held-to-maturity:				
Corporate bonds and other debt securities	-	-	-	-

At March 31, 2015 and 2014, investments in and advances to unconsolidated subsidiaries and associated companies consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Investments accounted for using the equity method for significant associated companies and at cost for others	¥ 1,604	¥ 1,593	\$ 13,367
Claims	8,755	8,753	72,958
Total	¥ 10,359	¥ 10,346	\$ 86,325

Marketable and investment securities sold during the fiscal years ended March 31, 2015 and 2014 were as follows:

March 31, 2015	Millions of yen			
	Cost	Proceeds	Realized gain	Realized loss
Securities classified as:				
Available-for-sale:				
Corporate bonds and other debt securities	-	¥ 12,391	¥ 488	-
Held-to-maturity:				
Other debt securities	¥ 500	¥ 510	¥ 10	-
Total	¥ 500	¥ 12,901	¥ 498	-

March 31, 2015	Thousands of U.S. dollars			
	Cost	Proceeds	Realized gain	Realized loss
Securities classified as:				
Available-for-sale:				
Corporate bonds and other debt securities	-	\$ 103,258	\$ 4,067	-
Held-to-maturity:				
Other debt securities	\$ 4,167	\$ 4,250	\$ 83	-
Total	\$ 4,167	\$ 107,508	\$ 4,150	-

March 31, 2014

This information is not applicable to the Group.

(Changes in classification of marketable and investment securities)

Held-to-maturity debt securities of ¥14,641 million (\$122,008 thousand) were reclassified to available-for-sale for the fiscal year ended March 31 2015.

The reclassification was made for the remaining balance of held-to-maturity debt securities as a result of the sales of held-to-maturity securities in part prior to the maturity dates.

Consequently, short-term investment securities increased by ¥31 million, investment securities increased by ¥222 million, and net unrealized gain on available-for-sale securities increased by ¥164 million respectively as of March 31, 2015.

4. INVENTORIES

Inventories as of March 31, 2015 and 2014 consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Merchandise	¥ 729	¥ 611	\$ 6,075
Real estate for sale	2,010	5,845	16,750
Raw materials and supplies	900	900	7,500
Real estate for sale under construction	18,497	8,985	154,142
Total	¥ 22,136	¥ 16,341	\$ 184,467

5. IMPAIRMENT OF LONG-LIVED ASSETS

As a result of the Group's impairment assessment of its long-lived assets as of March 31, 2015, and 2014, the Group recognized impairment loss of ¥2,707 million (\$22,558 thousand) and ¥317 million for the years ended March 31, 2015 and 2014, respectively. The Group classifies its asset or group of assets based on the type of business and/or on each rental property. The carrying amounts of impaired assets are written down to recoverable amounts measured at the higher of the value in use or the net selling price, based mainly on quotations from third-party real estate appraisers.

The breakdown of impairment loss for each of the years ended March 31, 2015, and 2014 is as follows.

For the year ended March 31, 2015

Location	Asset group	Accounts *	Millions of yen	Thousands of U.S. dollars
Yamazoe-village Yamabe-country, Nara prefecture	Golf course	Land and golf courses, etc.	¥ 2,705	\$ 22,541
Koka City, Shiga prefecture	Golf course	Land and golf courses	¥ 2	\$ 17
Total			¥ 2,707	\$ 22,558

* Carrying amounts of the above assets were written down to recoverable amounts due to a decrease in the real estate market value or significant declines in profitability caused by severe competition, as applicable.

For the year ended March 31, 2014

Location	Asset group	Accounts *	Millions of yen
Kyotango city, Kyoto prefecture	Hotel	Buildings and structures, etc.	¥ 317
Total			¥ 317

* Carrying amounts of the above assets were written down to recoverable amounts due to a decrease in the real estate market value or significant declines in profitability caused by severe competition, as applicable.

6. REAL ESTATE FOR RENT

The Group owns real estate for rent, including office buildings and unused property. The carrying values of such real estate in the consolidated balance sheets, changes thereof during the years ended March 31, 2015 and 2014 and the fair values of such real estate were as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Carrying value at beginning of year	¥ 22,346	¥ 11,300	\$ 186,217
Net changes during the year	(414)	11,046	(3,450)
Carrying value at end of year	¥ 21,932	¥ 22,346	\$ 182,767
Fair value at end of year*	¥ 23,273	¥ 23,459	\$ 193,942

*The fair value was measured at the reasonable estimated value based principally on real estate appraisals, real estate valuation standards or other indices, as applicable.

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2015 consisted mainly of bank loans. The weighted-average interest rate on short-term bank loans was 0.23% as of March 31, 2015.

Unsecured 1.48% interest bearing deposits from unconsolidated subsidiaries and associated companies due through 2015 were included in other current liabilities in the consolidated balance sheets in the amount of ¥2,060 million (\$17,167 thousand) and ¥1,860 million at March 31, 2015 and 2014, respectively.

Long-term debt as of March 31, 2015 and 2014 consisted of the following.

	Millions of yen		Thousands of U.S. dollars	
	2015	2014	2015	
Borrowings from banks and other financial institutions due serially through 2052 with weighted-average interest rates of 0.56% in 2015 and 0.97% in 2014	¥ 73,874	¥ 44,982	\$ 615,618	
RESORTTRUST INC.:				
Zero coupon unsecured convertible bonds due in 2018, including unamortized premium (2015- ¥17 million (\$142 thousand))	5,272	15,065	43,933	
0.39% unsecured bonds, due 2014, guaranteed by a bank	-	925	-	
1.19% unsecured bonds, due 2020, guaranteed by a bank	500	600	4,167	
0.75% unsecured bonds, due 2015, guaranteed by a bank	-	100	-	
0.79% unsecured bonds, due 2015, guaranteed by a bank	-	200	-	
0.58% unsecured bonds, due 2016, guaranteed by a bank	300	500	2,500	
0.60% unsecured bonds, due 2016, guaranteed by a bank	100	100	833	
0.10% unsecured bonds, due 2018, guaranteed by a bank	2,500	-	20,833	
Zero coupon unsecured convertible bonds due in 2021, including unamortized premium (2015- ¥286 million (\$ 2,383 thousand))	30,286	-	252,383	
R.T. DEVELOPMENT CO., LTD.:				
0.63% unsecured bonds, due 2023, guaranteed by a bank	1,200	1,350	10,000	
Lease obligations due 2029	2,737	2,825	22,808	
Total	116,769	66,647	973,075	
Less current portion due within one year	(7,482)	(9,203)	(62,350)	
Long-term debt less current portion	¥ 109,287	¥ 57,444	\$ 910,725	

At March 31, 2015, the current conversion price of zero coupon convertible bonds due in 2018 was changed from ¥2,153 per share to ¥2,082. At March 31, 2015, the number of shares of common stock necessary for conversion of all convertible bonds outstanding was approximately 10 million.

The terms of borrowings from banks at March 31, 2015 included the following financial covenants.

- 1) The terms of the long-term borrowings of ¥6,000 million (\$50,000 thousand) of the Company include the following financial covenants:
 - (1) The amount of net assets in the consolidated balance sheets at the end of each fiscal year shall be 80% or more of the amount of the net assets in the consolidated balance sheets at March 31, 2013.
 - (2) The amount of net assets in the nonconsolidated balance sheets of the Company at the end of each fiscal year shall be 80% or more of the amount of the net assets in the nonconsolidated balance sheets at March 31, 2013.
 - (3) With respect to recurring income or loss in the consolidated statements of income for each fiscal year, the Company shall not record recurring losses for two consecutive fiscal years.
 - (4) With respect to recurring income or loss in the nonconsolidated statements of income for each fiscal year end, the Company shall not record recurring losses for two consecutive fiscal years.
- 2) The terms of the current portion of long-term borrowings of ¥320 million (\$2,667 thousand) and long-term borrowings of ¥5,120 million (\$42,667 thousand) of the Company include the following financial covenants:
 - (1) From the fiscal year ending March 2016, the amount of net assets in the consolidated balance sheets at the end of each fiscal year shall be 80% or more of the larger of the net assets in the consolidated balance sheets at March 31, 2013 or at the end of previous fiscal year.
 - (2) From the fiscal year ending March 2016, the amount of net assets in the nonconsolidated balance sheets of the Company at the end of each fiscal year shall be 80% or more of the larger of the net assets in the nonconsolidated balance sheets at March 31, 2013 or at the end of previous fiscal year.
 - (3) From the fiscal year ending March 2016, with respect to recurring income or loss in the consolidated statements of income for each fiscal year, the Company shall not record recurring losses for two consecutive fiscal years.
 - (4) From the fiscal year ending March 2016, the Company must maintain a long-term debt rating of BBB-/Baa3 or higher by Japan Credit Rating Agency, Ltd., Standard & Poor's, Moody's Japan Co., Ltd. or Rating and Investment Information Center.
- 3) The terms of the long-term borrowings of ¥15,000 million (\$125,000 thousand) of the Company include the following financial covenants:
 - (1) The amount of net assets in the consolidated balance sheets at the end of each fiscal year shall be 80% or more of the amount of the net assets in the consolidated balance sheets at March 31, 2014.
 - (2) The amount of net assets in the nonconsolidated balance sheets of the Company at the end of each fiscal year shall be 80% or more of the amount of the net assets in the nonconsolidated balance sheets at March 31, 2014.
 - (3) With respect to recurring income or loss in the consolidated statements of income for each fiscal year, the Company shall not record recurring losses for two consecutive fiscal years.
 - (4) With respect to recurring income or loss in the nonconsolidated statements of income for each fiscal year end, the Company shall not record recurring losses for two consecutive fiscal years.
- 4) The terms of the borrowings of BEST CREDIT Co., Ltd. ("BEST CREDIT"), a consolidated subsidiary, include the following financial covenants:
 - (i) Financial covenants on the current portion of long-term borrowings of ¥1,111 million (\$9,258 thousand) and long-term borrowings of ¥1,111 million (\$9,258 thousand):

- (1) The amount of net assets in the balance sheets of BEST CREDIT at the end of each fiscal year shall be 75% or more of the amount of the net assets in the balance sheets at March 31, 2011.
 - (2) With respect to recurring income or loss in the statements of income for each fiscal year, BEST CREDIT shall not record recurring losses for two consecutive fiscal years.
- (ii) Financial covenants on the current portion of long-term borrowings of ¥564 million (\$4,700 thousand) and long-term borrowings of ¥808 million (\$6,733 thousand):
- (1) The amount of net assets in the balance sheets of BEST CREDIT at the end of each fiscal year shall be 75% or more of the amount of the net assets in the balance sheets at March 31, 2012.
 - (2) With respect to recurring income or loss in the statements of income for each fiscal year, BEST CREDIT shall not record recurring losses for two consecutive fiscal years.
- 5) The terms of the current portion of long-term borrowings of ¥259 million (\$2,158 thousand) and long-term borrowings of ¥597 million (\$4,975 thousand) of Resorttrust Golf Business Co., Ltd. include the following financial covenants:
- (1) The amount of net assets in the balance sheets of Resorttrust Golf Business Co., Ltd. at the end of each fiscal year shall not be less than zero.
 - (2) With respect to the recurring income or loss in the statements of income for each fiscal year, Resorttrust Golf Business Co., Ltd. shall not record recurring losses for two consecutive fiscal years.
- 6) The terms of the borrowings of R.T. DEVELOPMENT CO., LTD. ("R.T. DEVELOPMENT"), a consolidated subsidiary, include the following financial covenants:
- (i) Financial covenants on the current portion of long-term borrowings of ¥100 million (\$833 thousand) and long-term borrowings of ¥1,300 million (\$10,833 thousand):
- (1) With respect to recurring income or loss in the statements of income for each fiscal year, R.T. DEVELOPMENT shall not record recurring losses for two consecutive fiscal years.
 - (2) In the income statements and balance sheets, the reference value under the following calculation formula shall not exceed 30 (provided, that if cash flow is negative or zero, the reference value shall be deemed to have exceeded 30.)
Reference value = total interest bearing debt ÷ cash flow
- (ii) Financial covenants on the current portion of long-term borrowings of ¥76 million (\$633 thousand) and long-term borrowings of ¥886 million (\$7,383 thousand):
- (1) With respect to recurring income or loss in the statements of income for each fiscal year, R.T. DEVELOPMENT shall not record recurring losses for two consecutive fiscal years.
 - (2) With respect to ordinary income on a non-consolidated basis, the Company, as bond guarantor, shall not record loss of profit for two consecutive fiscal years.
 - (3) In the income statements and balance sheets, the reference value under the following calculation formula shall not exceed 30 (provided, that if cash flow is negative or zero, the reference value shall be deemed to have exceeded 30.)
Reference value = total interest-bearing debt ÷ cash flow

The aggregate annual maturities of long-term debt as of March 31, 2015 were as follows.

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥ 7,482	\$ 62,350
2017	10,805	90,042
2018	4,687	39,058
2019	30,969	258,075
2020	1,519	12,658
2021 and thereafter	61,307	510,892
Total	¥ 116,769	\$ 973,075

The Company has the following outstanding balance under its line of credit agreements with financial institutions:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2105
Outstanding balance of line of credit	¥ 50,000	¥ 30,000	\$ 416,667

- (i) The terms of the Company's line of credit agreements of ¥20,000 million (\$166,667 thousand) include the following financial covenants:
- (1) The amount of net assets in the consolidated balance sheets at the end of each fiscal year shall be 80% or more of the amount of the net assets in the consolidated balance sheets at March 31, 2012.
 - (2) The amount of net assets in the nonconsolidated balance sheets of the Company at the end of each fiscal year shall be 80% or more of the amount of net assets in the nonconsolidated balance sheets at March 31, 2012.
 - (3) With respect to recurring income or loss in the consolidated statements of income for each fiscal year, the Company shall not record recurring losses for two consecutive fiscal years.
 - (4) With respect to recurring income or loss in the nonconsolidated statements of income for each fiscal year end, the Company shall not record recurring losses for two consecutive fiscal years.
- (ii) The terms of the Company's line of credit agreements of ¥20,000 million (\$166,667 thousand) include the following financial covenants:
- (1) The amount of net assets in the consolidated balance sheets at the end of each fiscal year shall be 80% or more of the amount of the net assets in the consolidated balance sheets at March 31, 2014.
 - (2) The amount of net assets in the nonconsolidated balance sheets of the Company at the end of each fiscal year shall be 80% or more of the amount of net assets in the nonconsolidated balance sheets at March 31, 2014.
 - (3) With respect to recurring income or loss in the consolidated statements of income for each fiscal year, the Company shall not record recurring losses for two consecutive fiscal years.
 - (4) With respect to recurring income or loss in the nonconsolidated statements of income for each fiscal year end, the Company shall not record recurring losses for two consecutive fiscal years.
- (iii) The terms of the Company's line of credit agreements of ¥10,000 million (\$83,333 thousand) include the following financial covenants:

- (1) The amount of net assets excluding treasury stock in the consolidated balance sheets at the end of each fiscal year shall be 80% or more of the amount of the net assets excluding treasury stock in the consolidated balance sheets at March 31, 2014.
- (2) The amount of net assets excluding treasury stock in the nonconsolidated balance sheets of the Company at the end of each fiscal year shall be 80% or more of the amount of the net assets excluding treasury stock in the nonconsolidated balance sheets at March 31, 2014.
- (3) With respect to recurring income or loss in the consolidated statements of income for each fiscal year, the Company shall not record recurring losses for two consecutive fiscal years.
- (4) With respect to recurring income or loss in the nonconsolidated statements of income for each fiscal year end, the Company shall not record recurring losses for two consecutive fiscal years.

8. PLEDGED ASSETS

As of March 31, 2015 and 2014, the carrying amounts of assets pledged as collateral for advances included in other current liabilities, short-term borrowings and long-term debt (including current portion and bank guarantees on bonds issuance) in the aggregate amount of ¥64,781 million (\$539,842 thousand) and ¥32,780 million, respectively, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and cash equivalents	¥ 500	¥ 500	\$ 4,167
Real estate for sale under construction (reserved for collateral)	-	2,167	-
Property and equipment			
Land	12,588	12,884	104,900
Land (reserved for collateral)	6,000	5,284	50,000
Golf courses	2,013	3,775	16,775
Buildings and structures	12,315	14,955	102,625
Buildings and structures (reserved for collateral)	5,589	4,152	46,575
Construction in progress (reserved for collateral)	-	369	-
Investment securities	4,685	3,755	39,042
Other assets	1,043	1,033	8,691
Total	<u>¥ 44,733</u>	<u>¥48,874</u>	<u>\$ 372,775</u>

In addition, at March 31, 2015 and 2014, stocks of certain consolidated subsidiaries in the amounts of ¥1,248 million (\$10,400 thousand) and ¥1,248 million, respectively, were pledged as collateral.

9. EMPLOYEES' RETIREMENT BENEFITS

The Group principally has a non-contributory defined benefit pension plan and a lump-sum retirement benefit plan that together substantially cover all full-time employees except for certain consolidated subsidiaries that have only lump-sum retirement benefit plans. In addition, certain consolidated subsidiaries have defined contribution plans. Under the pension plan, employees terminating their employment are entitled to pension benefits that have been determined based on their service and other factors. Furthermore, an employee pension trust has been set up for the defined benefit pension plan and the lump-sum retirement benefit plan of the Company. Although lump-sum retirement benefit plans are unfunded plans, lump-sum retirement benefit plans are classified as funded plans as a result of setting up employee pension

trusts. As for the defined benefit pension plans and lump-sum retirement benefit plans implemented by certain consolidated subsidiaries, net employees' retirement benefit liability and retirement benefit expenses are calculated by simplified methods.

Defined Benefit Plans

As of and for the year ended March 31, 2015, the details of the defined benefit plans were as follows:

(a) Movement in retirement benefit obligations, except for plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at April 1, 2014	¥ 6,047	¥ 5,698	\$ 50,392
Cumulative effects of changes in accounting policies	(1,266)	-	(10,550)
Restated balance at April 1, 2014	4,781	5,698	39,842
Service cost	494	535	4,117
Interest cost	43	29	358
Actuarial differences incurred	242	39	2,016
Benefits paid	(231)	(254)	(1,925)
Balance at March 31, 2015	¥ 5,329	¥ 6,047	\$ 44,408

(b) Movements in plan assets, except for plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at April 1, 2014	¥ 5,430	¥ 4,864	\$ 45,250
Expected return on plan assets	69	63	575
Actuarial differences incurred	385	390	3,208
Contributions paid by the employer	325	313	2,708
Benefits paid	(168)	(200)	(1,400)
Balance at March 31, 2015	¥ 6,041	¥ 5,430	\$ 50,341

(c) Movement in employee retirement benefit liability for plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at April 1, 2014	¥ 195	¥ 185	\$ 1,625
Retirement benefit cost	60	47	500
Benefits paid	(27)	(32)	(225)
Contributions paid by the employer	(4)	(5)	(33)
Balance at March 31, 2015	¥ 224	¥ 195	\$ 1,867

(d) Reconciliation from retirement benefit obligation and plan assets to employees' retirement benefit asset or liability, including plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligation	¥ 5,380	¥ 6,091	\$ 44,833
Plan assets	(6,092)	(5,474)	(50,766)
	(712)	617	(5,933)
Unfunded retirement benefit obligation	224	195	1,866
Net employees' retirement benefit (asset)/liability at March 31, 2015	¥ (488)	¥ 812	\$ (4,067)
Employees' retirement benefit liability	¥ 860	¥ 1,038	\$ 7,166
Employees' retirement benefit asset	(1,348)	(226)	(11,233)
Net employees' retirement benefit (asset)/liability at March 31, 2015	¥ (488)	¥ 812	\$ (4,067)

(e) Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥ 554	¥ 582	\$ 4,617
Interest cost	43	28	358
Expected return on plan assets	(69)	(63)	(575)
Net actuarial loss amortization	59	203	492
Past service cost amortization	(69)	(69)	(575)
Total retirement benefit expense for the year ended March 31, 2015	¥ 518	¥ 681	\$ 4,317

(f) Retirement benefit adjustment in other comprehensive income, before tax effects

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Actuarial differences	¥ 202	¥ -	\$ 1,683
Past service cost	(69)	-	(575)
Total balance at March 31, 2015	¥ 133	¥ -	\$ 1,108

(g) Retirement benefit adjustment in accumulated other comprehensive income before tax effects

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Actuarial differences yet to be recognized	¥ (310)	¥ (108)	\$ (2,583)
Past service cost yet to be recognized	(69)	(138)	(575)
Total balance at March 31, 2015	¥ (379)	¥ (246)	\$ (3,158)

(g) Plan assets

1) Plan assets were comprised of the following:

	2015	2014
Bonds	14.03%	13.63%
Equity securities	33.56%	30.53%
Cash and cash equivalents	16.10%	17.91%
Insurance assets (general account)	34.12%	36.07%
Others	2.19%	1.86%
Total	100.00%	100.00%

2) Long-term expected rate of return

Current and target asset allocations and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(h) Actuarial assumptions

The principal actuarial assumptions were as follows:

	2015	2014
Discount rate	0.6 %	0.5 %
Long-term expected rate of return	1.5 %	1.5 %
Expected salary increase rate	4.5 %	4.5 %

Defined Contribution Plans

The required contribution from consolidated subsidiaries for the fiscal year ended March 31, 2015 was ¥38 million (\$317 thousand).

10. NET ASSETS

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law (the “Law”), in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. The legal earnings reserve has been included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, the legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit by a resolution at the shareholders’ meeting. The additional paid-in capital and legal earnings reserve may not be distributed as dividends. All additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which may become available for dividends.

At both March 31, 2015 and 2014, capital surplus consisted of additional paid-in capital.

The maximum amount that the Company can distribute as dividends is calculated based on the separate financial statements of the Company in accordance with Japanese laws and regulations.

The Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholder which is determined by a specific formula. Under the Law, stock acquisition rights are presented as separate component of net assets. Furthermore, the Law provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of net assets or deducted directly from stock acquisition rights.

On January 1, 2014, the Company issued 51,705,748 shares of common stock of the Company for a two-for-one stock split based on a resolution passed at the Board of Directors meeting held on November 12, 2013. Accordingly, the number of shares of common stock became 103,411,496 at March 31, 2014. Per share data in the accompanying consolidated financial statements were retroactively reflected for this stock split, assuming that said stock split was conducted at the beginning of the fiscal year ended March 31, 2014.

During the year ended March 31, 2015, the Company paid interim dividends of ¥2,009 million (\$16,742 thousand) or ¥20.00 (\$0.17) per share.

11. STOCK OPTIONS

Stock option schemes	Persons originally granted	Number of options originally granted	Date of grant	Exercise price	Exercise period
2004 Stock Options	12 directors 83 employees 1 employee of an associated company	500,000 shares	June 25, 2004	¥ 1,105 (\$9.21)	From June 26, 2006 to June 25, 2014
2009-1 Stock Options	11 directors	1,300,000 shares	June 27, 2009	¥ 513 (\$4.28)	From November 1, 2009 to June 25, 2014
2009-2 Stock Options	7 officers 342 employees 3 directors of subsidiaries 8 employees of subsidiaries	700,000 shares	June 27, 2009	¥ 513 (\$4.28)	From June 27, 2011 to June 25, 2014
2010-1 Stock Options	11 directors 2 corporate auditors	1,316,000 shares	June 30, 2010	¥ 670 (\$5.58)	From November 1, 2010 to June 29, 2015
2010-2 Stock Options	8 officers 442 employees 2 directors of a subsidiary 11 employees of a subsidiary	684,000 shares	June 30, 2010	¥ 670 (\$5.58)	From June 30, 2012 to June 29, 2015
2011-1 Stock Options	12 directors 2 corporate auditors	1,366,000 shares	June 30, 2011	¥ 521 (\$4.34)	From November 1, 2011 to June 29, 2016
2011-2 Stock Options	7 officers 490 employees 2 directors of subsidiaries 14 employees of subsidiaries	634,000 shares	June 30, 2011	¥ 521 (\$4.34)	From June 30, 2013 to June 29, 2016

The activities and the detailed conditions of the stock options were as follows.

	2004 Stock option	2009-1 Stock option	2009-2 Stock option	2010-1 Stock option	2010-2 Stock option	2011-1 Stock option	2011-2 Stock option
	(Shares)	(Shares)	(Shares)	(Shares)	(Shares)	(Shares)	(Shares)
<u>For the year ended March 31, 2014</u>							
<u>Nonvested</u>							
March 31, 2013 - Outstanding	-	-	-	-	-	-	605,000
Granted	-	-	-	-	-	-	-
Canceled	-	-	-	-	-	-	(1,200)
Vested	-	-	-	-	-	-	(603,800)
March 31, 2014 - Outstanding	-	-	-	-	-	-	-
<u>Vested</u>							
March 31, 2013 - Outstanding	443,520	55,000	267,400	668,000	430,600	337,000	-
Vested	-	-	-	-	-	-	603,800
Exercised	(232,416)	(5,000)	(170,600)	(363,000)	(260,600)	(72,000)	(378,000)
Canceled	(3,744)	-	(4,000)	-	(3,200)	-	(3,200)
March 31, 2014 - Outstanding	207,360	50,000	92,800	305,000	166,800	265,000	222,600
<u>For the year ended March 31, 2015</u>							
<u>Nonvested</u>							
March 31, 2014 - Outstanding	-	-	-	-	-	-	-
Granted	-	-	-	-	-	-	-
Canceled	-	-	-	-	-	-	-
Vested	-	-	-	-	-	-	-
March 31, 2015 - Outstanding	-	-	-	-	-	-	-
<u>Vested</u>							
March 31, 2014 - Outstanding	207,360	50,000	92,800	305,000	166,800	265,000	222,600
Vested	-	-	-	-	-	-	-
Exercised	(61,056)	-	(30,400)	(255,000)	(61,400)	(80,000)	(54,800)
Canceled	(146,304)	(50,000)	(62,400)	-	(1,600)	-	(1,600)
March 31, 2015 - Outstanding	-	-	-	50,000	103,800	185,000	166,200
<u>Exercise price</u>							
	¥ 1,105	¥ 513	¥ 513	¥ 670	¥ 670	¥ 521	¥ 521
	(\$ 9.21)	(\$ 4.28)	(\$ 4.28)	(\$ 5.58)	(\$ 5.58)	(\$ 4.34)	(\$ 4.34)
<u>Average stock price at exercise</u>							
	¥ 1,901	-	¥ 1,908	¥2,559	¥ 2,657	¥ 2,696	¥ 2,493
	(\$ 15.84)	-	(\$ 15.90)	(\$ 21.33)	(\$ 22.14)	(\$ 22.47)	(\$ 20.78)
<u>Fair value price at grant date</u>							
	-	¥ 241	¥ 253	¥ 281	¥ 282	¥ 169	¥ 240
	-	(\$ 2.01)	(\$ 2.11)	(\$ 2.34)	(\$ 2.35)	(\$ 1.41)	(\$ 2.00)

A 2-for-1 stock split was conducted as of January 1, 2014.

Shares for the year ended March 31, 2013 were calculated under the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2014.

12. INCOME TAXES

The Company and its consolidated subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in statutory effective tax rate of approximately 35.3% and 37.7% for the years ended March 31, 2015 and 2014, respectively.

The tax effects of temporary differences that gave rise to a significant portion of deferred tax assets and liabilities as of March 31, 2015 and 2014 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Allowance for doubtful accounts	¥ 2,538	¥ 2,639	\$ 21,150
Real estate for sale	626	897	5,217
Loss on impairment of long-lived assets	4,550	3,960	37,917
Write-down of real estate for sale	1,498	1,605	12,483
Tax loss carryforwards	1,166	1,309	9,716
Other	6,163	5,632	51,359
Deferred tax assets subtotal	16,541	16,042	137,842
Less valuation allowance	(10,381)	(9,465)	(86,509)
Total deferred tax assets	6,160	6,577	51,333
Deferred tax liabilities:			
Unrealized gain on assets acquired by merger	464	488	3,867
Unrealized gain on liabilities of consolidated subsidiaries	578	637	4,817
Unrealized gain on available-for-sale securities	2,335	783	19,458
Other	584	267	4,866
Total deferred tax liabilities	3,961	2,175	33,008
Net deferred tax assets	¥ 2,199	¥ 4,402	\$ 18,325

At March 31, 2015 and 2014, deferred tax assets and liabilities were as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2014
Deferred tax assets:			
Current	¥ 3,715	¥ 4,033	\$ 30,958
Noncurrent	124	1,442	1,033
Deferred tax liabilities:			
Current	-	-	-
Noncurrent	1,640	1,073	13,667

In assessing the realizability of deferred tax assets, management of the Group considers whether some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. At March 31, 2015 and 2014, a valuation allowance was provided to reduce deferred tax assets to the amount that management believed would be realizable.

Reconciliations between the statutory tax rates and the effective tax rates reflected in the accompanying consolidated statements of income for the year ended March 31, 2015 were as follows.

	2015	2014
Statutory tax rate	35.3%	37.7%
Increase (decrease) due to:		
Permanently nondeductible expenses	0.4	0.4
Local inhabitants taxes per capita levy	0.7	0.8
Changes in valuation allowances	7.8	4.4
Effect of income tax rate changes	2.0	1.8
Other, net	(1.3)	(1.3)
Effective tax rate	44.9%	43.8%

(Revision of the amounts of deferred tax assets and deferred tax liabilities due to changes in income tax rates)

Pursuant to “Act on Partial Revision of the Income Tax Act” and “Act on Partial Revision of the Local Tax Act” promulgated on March 31, 2015, the statutory tax rate applied to the calculation of deferred tax assets and deferred tax liabilities for the fiscal year ended March 31, 2015 (provided it is limited to those to be settled on and after April 1, 2015) was changed from 35.3% in the previous fiscal year to 32.8% for those which are anticipated to be recovered or paid during the period between April 1, 2015 and March 31, 2016 and 32.1% for those which will be recovered or paid from April 1, 2016. Consequently, deferred tax assets (after offsetting deferred tax liabilities) decreased by ¥124 million (\$1,033 thousand), income taxes deferred recorded for the fiscal year ended March 31, 2015 increased by ¥363 million (\$3,025 thousand), net unrealized gain on available-for-sale securities increased by ¥226 million (\$1,883 thousand) and retirement benefit adjustment increased by ¥12 million (\$100 thousand).

13. RELATED PARTY TRANSACTIONS

The Group has several business relationships with related parties. Maple Point Golf Club Co., LTD., a consolidated subsidiary, owns advances to Japan Classic Co., Ltd., of which the Group owns 22.5% of its shares as a result of Maple Point Golf Club Co., LTD.’s acquisition of shares in Japan Classic Co., Ltd. from existing owners of such shares. The significant balances arising from such transactions as of March 31, 2015 and 2014 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Advances to an associated company	¥ 8,755	¥ 8,757	\$ 72,958
Less allowance of doubtful accounts	(4,776)	(4,776)	(39,800)
Net balance	¥ 3,979	¥ 3,981	\$ 33,158

14. LEASES

(As Lessee)

The Group leases building and certain office equipment. Total rental expenses for the years ended March 31, 2015 and 2014 were ¥752 million (\$6,267 thousand) and ¥604 million, respectively.

Future minimum payments under noncancelable operating leases were as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥ 1,459	¥ 1,452	\$ 12,158
Due after one year	11,332	12,662	94,433
Total	¥ 12,791	¥ 14,114	\$ 106,591

Pro forma information on leased property whose lease inception was before March 31, 2008

As disclosed in Note 2(i), ASBJ Statement No. 13 requires the capitalization of all finance lease transactions so that leased assets and lease obligations will be recognized in the balance sheets. However, ASBJ Statement No. 13 permits leases that do not transfer ownership of the leased property to the lessee and whose lease inception was before March 31, 2008 to continue to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the financial statements. The Company has applied ASBJ Statement No. 13 effectively from April 1, 2008 and accounted for such leases as operating lease transactions. Information on such lease contracts is as follows.

Pro forma information on leased property whose lease inception was before March 31, 2008 is as follows.

	Millions of yen			
	2015			
	Buildings and structures	Machinery and equipment	Other	Total
Acquisition cost *	¥ 4,928	¥ -	¥ -	¥ 4,928
Accumulated depreciation	(1,270)	-	-	(1,270)
Accumulated impairment loss	-	-	-	-
Net leased property	¥ 3,658	¥ -	¥ -	¥ 3,658

* Acquisition cost includes imputed interest expense.

	Millions of yen			
	2014			
	Buildings and structures	Machinery and equipment	Other	Total
Acquisition cost *	¥ 4,928	¥ 85	¥ -	¥ 5,013
Accumulated depreciation	(1,101)	(58)	-	(1,159)
Accumulated impairment loss	-	(27)	-	(27)
Net leased property	¥ 3,827	¥ -	¥ -	¥ 3,827

* Acquisition cost includes imputed interest expense.

	Thousands of U.S. dollars			
	2015			
	Buildings and structures	Machinery and equipment	Other	Total
Acquisition cost *	\$ 41,066	\$ -	\$ -	\$ 41,066
Accumulated depreciation	(10,583)	-	-	(10,583)
Accumulated impairment loss	-	-	-	-
Net leased property	\$ 30,483	\$ -	\$ -	\$ 30,483

* Acquisition cost includes imputed interest expense.

Future lease payments under finance leases above, including the imputed interest portion, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥ 169	¥ 172	\$ 1,408
Due after one year	3,489	3,658	29,075
Total	¥ 3,658	¥ 3,830	\$ 30,483

An allowance for impairment loss on leased property in the amount of ¥3 million was included in other current and long-term liabilities in the consolidated balance sheets as of March 31, 2014.

Depreciation expenses, which were not reflected in the accompanying consolidated statements of income and computed using the straight-line method with useful lives being equal to the lease period and all residual values at zero, and other information under finance leases are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Depreciation expense	¥ 169	¥ 170	\$ 1,408
Lease payments	169	170	1,408
Loss on impairment	-	-	-

(As Lessor)

Expected lease revenues to be received under noncancelable operating leases were as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥ 308	¥ 303	\$ 2,567
Due after one year	779	984	6,491
Total	¥ 1,087	¥ 1,287	\$ 9,058

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Qualitative information on financial instruments

(a) Group policy for financial instruments

The Group invests its cash surpluses in low-risk financial assets such as short-term deposits. With regard to financing, the Group uses financial instruments such as bank loans and corporate bonds based on its capital investment and development plan. Derivatives are used not for trading or speculative purposes, but to manage exposure to financial risks as described in (b) below.

(b) Nature and extent of risks arising from financial instruments

Receivables, such as trade notes, trade accounts receivable and installment loans are exposed to customer credit risk.

Marketable and investment securities are exposed to the risk of market price fluctuations.

Investments in unconsolidated subsidiaries and associated companies include golf club memberships. Such memberships are exposed to the risk of market price fluctuations.

Payment of payables such as trade notes, trade accounts and income taxes payable are principally due in less than one year. The Group uses short-term bank borrowings to raise funds mainly for operating activities. In addition, the Group uses long-term bank borrowings, corporate bonds and lease obligations to raise funds for capital investments and expansion of the hotel business. These payables, bank borrowings, corporate bonds and lease obligations are exposed to liquidity risk.

Derivatives include mainly interest rate swaps and cross-currency swaps, which are used to manage exposure to market risks from changes in variable interest rates and foreign currency exchange rates of bank borrowings. See Note 16 for more details regarding derivatives.

(c) Risk management for financial instruments

Credit Risk Management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables according to internal guidelines, which include monitoring of payment terms and balances of customers to identify default risk of counterparties at an early stage.

Market risk management (foreign exchange risk and interest rate risk)

Bank borrowings denominated in foreign currencies are exposed to risks resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risks are hedged principally by cross-currency swaps. Interest rate swaps are used to manage exposure to risks from changes in interest rates of bank borrowings.

Marketable and investment securities are managed by monitoring market values and financial positions of issuers on a regular basis. The Group reviews the classification of securities, except for securities classified as held-to-maturity, on a timely basis.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets along with adequate financial planning by its finance group.

(d) Supplemental information on fair values

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, reasonable estimates using rational valuation techniques is provided. Since certain assumptions are used in the computation of these estimates, results may differ if alternative assumptions are used.

(2) Fair values of financial instruments

The fair values and carrying amounts of financial instruments at March 31, 2015 and 2014, other than those for which the fair values were extremely difficult to determine, were as follows.

Millions of yen			
	Carrying amount	Fair value	Difference
<u>March 31, 2015</u>			
Cash and cash equivalents	¥ 66,405	¥ 66,405	¥ -
Time deposits	466	466	-
Receivables	33,443		
Less allowance for doubtful accounts	(41)		
Net receivables	33,402	33,066	(336)
Marketable and investment securities:			
Available-for-sale	89,981	89,981	-
Held-to-maturity	-	-	-
Investments in unconsolidated subsidiaries and associated companies	247	153	(94)
Long-term loans	1,553		
Less allowance for doubtful accounts	(598)		
Net long-term loans	955	952	(3)
Total	¥ 191,456	¥ 191,023	¥ (433)
Short-term borrowings	¥ 5,000	¥ 5,000	¥ -
Notes and accounts payable	10,398	10,398	-
Income taxes payable	4,482	4,482	-
Convertible bonds	35,558	43,217	7,659
Long-term bank loans and corporate bonds, including current portion	78,475	76,108	(2,367)
Total	¥ 133,913	¥ 139,205	¥ 5,292
Millions of yen			
	Carrying amount	Fair value	Difference
<u>March 31, 2014</u>			
Cash and cash equivalents	¥ 51,965	¥ 51,965	¥ -
Time deposits	300	300	-
Receivables	29,285		
Less allowance for doubtful accounts	(45)		
Net receivables	29,240	29,234	(6)
Marketable and investment securities:			
Available-for-sale	41,105	41,105	-
Held-to-maturity	18,466	18,704	238
Investments in unconsolidated subsidiaries and associated companies	246	168	(78)
Long-term loans	1,488		
Less allowance for doubtful accounts	(662)		
Net long-term loans	826	788	(38)
Total	¥ 142,148	¥ 142,264	¥ 116
Short-term borrowings	¥ 750	¥ 750	¥ -
Notes and accounts payable	13,674	13,674	-
Income taxes payable	4,594	4,594	-
Convertible bonds	15,065	16,687	1,622
Long-term bank loans and corporate bonds, including current portion	48,758	47,566	(1,192)
Total	¥ 82,841	¥ 83,271	¥ 430

	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
<u>March 31, 2015</u>			
Cash and cash equivalents	\$ 553,375	\$ 553,375	\$ -
Time deposits	3,883	3,883	-
Receivables	278,692		
Less allowance for doubtful accounts	(342)		
Net receivables	278,350	275,550	(2,800)
Marketable and investment securities:			
Available-for-sale	749,842	749,842	-
Held-to-maturity	-	-	-
Investments in unconsolidated subsidiaries and associated companies	2,058	1,275	(783)
Long-term loans	12,942	-	
Less allowance for doubtful accounts	(4,983)		
Net long-term loans	7,959	7,933	(26)
Total	\$ 1,595,467	\$ 1,591,858	\$ (3,609)
Short-term borrowings	\$ 41,667	\$ 41,667	\$ -
Notes and accounts payable	86,650	86,650	-
Income taxes payable	37,350	37,350	-
Convertible bonds	296,317	360,142	63,825
Long-term bank loans and corporate bonds, including current portion	653,958	634,233	(19,725)
Total	\$ 1,115,942	\$ 1,160,042	\$ 44,100

Notes:

- (a) Details of the methods and assumptions used to estimate the fair values of financial instruments are summarized below.

Cash and cash equivalents, time deposits, notes and accounts payable, income taxes payable and short-term bank borrowings

The carrying amounts of cash and cash equivalents, time deposits, notes and accounts payable, income taxes payable and short-term bank borrowings approximate their fair values because of their short-term maturities.

Receivables

Receivables consist of trade notes, accounts receivable and installment loans. The fair values of trade notes receivable are each measured at the amount to be received at maturity discounted at the discount rate which reflects the counterparty's credit risks. The carrying amounts of trade accounts receivable approximate their fair values because of their short-term maturities. The carrying amounts of installment loans with variable interest rates approximate their fair values because they reflect market interest rates within a short period, provided that the counterparty's credit status is stable. The fair values of installment loans with fixed interest rates are determined by discounting the cash flows related to such loans at the Group's assumed corporate lending rate.

In addition, the fair values of claims in possible bankruptcy are each determined by deducting the estimated economic loss arising from the counterparty's failure to repay its obligations.

Marketable and investment securities

The carrying amounts of marketable securities approximate their fair values because of their short-term maturities. The fair values of investment securities are measured at their quoted market prices on the stock exchange for equity instruments or at their quoted prices obtained from financial institutions for certain debt instruments. Information on the fair values of marketable and investment securities by classification is included in Note 3.

Investments in unconsolidated subsidiaries and associated companies

The fair values of golf club memberships, which are included in investments in unconsolidated subsidiaries and associated companies, are calculated based on their market prices on the membership exchange.

Long-term loans

The carrying amounts of long-term loans with variable interest rates approximate their fair values because they reflect market interest rates within a short period, provided that the counterparty's credit status is stable. The carrying amounts of long-term loans with fixed interest rates are stated at present value using future cash flows discounted by the premium-added rate on the appropriate index like swap rates.

In addition, the fair values of claims in possible bankruptcy are each determined by deducting the estimated economic loss arising from the counterparty's failure to repay its obligations.

Convertible bonds

The fair value of convertible bonds is based on the price obtained from the corresponding financial institution.

Long-term bank loans and corporate bonds

The carrying amounts of long-term bank loans and corporate bonds with variable interest rates approximate their fair values because they reflect market interest rates within a short period.

The fair values of long-term bank loans and corporate bonds with fixed interest rates, including bank loans hedged by interest rate swaps and cross-currency swaps, are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives

Information on the fair values of derivatives is included in Note 16.

- (b) The following financial instruments were not included in the table above because their fair values were extremely difficult to determine.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unlisted stocks that do not have a quoted market price in an active market	¥ 18	¥ 17	\$ 150
Investments in unconsolidated subsidiaries and associated companies	1,356	1,346	11,300
Long-term deposits received	103,154	103,925	859,617

(c) The redemption schedule for financial assets and securities with contractual maturities as of March 31, 2015 is as follows.

March 31, 2015	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and cash equivalents	¥ 66,405	¥ -	¥ -	¥ -
Time deposits	466	-	-	-
Receivables	13,728	16,739	2,877	99
Marketable and investment securities:				
Held-to-maturity (bonds)	-	-	-	-
Held-to-maturity (other)	-	-	-	-
Available-for-sale securities with contractual maturities	29,193	964	27,878	-
Long-term loans	125	1,075	148	205
Total	¥ 109,917	¥ 18,778	¥ 30,903	¥ 304

March 31, 2015	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and cash equivalents	\$ 553,375	\$ -	\$ -	\$ -
Time deposits	3,883	-	-	-
Receivables	114,400	139,492	23,975	826
Marketable and investment securities:				
Held-to-maturity (bonds)	-	-	-	-
Held-to-maturity (other)	-	-	-	-
Available-for-sale securities with contractual maturities	243,275	8,033	232,317	-
Long-term loans	1,042	8,958	1,233	1,708
Total	\$ 915,975	\$ 156,483	\$ 257,525	\$ 2,534

See Note 7 for annual maturities of long-term debt.

16. DERIVATIVES

The Group enters into cross-currency swap contracts to hedge foreign exchange risk associated with certain liabilities denominated in foreign currencies. In addition, the Group also enters into interest rate swap contracts to manage its interest rate exposure on certain liabilities. The Group does not hold derivatives for trading or speculative purposes.

The contract or notional amounts of derivatives that are shown in the following table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Derivative transactions to which hedge accounting was applied

		Millions of yen		
		Contract amount	Contract amount due after one year	Fair value
March 31, 2015	Hedged item			
Interest rate swaps: (fixed-rate payment, floating-rate receipt)	Long-term debt, including current portion	¥ 27,715	¥ 25,933	(*1)
Cross-currency swaps: (receipt in USD, payment in JPY, fixed-rate payment, floating-rate receipt)	Long-term debt, including current portion	2,225	2,000	(*1)

		Millions of yen		
		Contract amount	Contract amount due after one year	Fair value
March 31, 2014	Hedged item			
Interest rate swaps: (fixed-rate payment, floating-rate receipt)	Long-term debt, including current portion	¥ 16,497	¥ 14,715	(*1)
Cross-currency swaps: (receipt in USD, payment in JPY, fixed-rate payment, floating-rate receipt)	Long-term debt, including current portion	525	225	(*1)

		Thousands of U.S. dollars		
		Contract amount	Contract amount due after one year	Fair value
March 31, 2015	Hedged Item			
Interest rate swaps: (fixed-rate payment, floating-rate receipt)	Long-term debt, including current portion	\$ 230,958	\$ 216,108	(*1)
Cross currency swaps: (receipt in USD, payment in JPY, fixed-rate payment, floating-rate receipt)	Long-term debt, including current portion	18,542	16,667	(*1)

(*1) The above interest rate swaps and cross-currency swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differences in payments made or received under such swap agreements are recognized and included in interest expense or income. In addition, the fair values of such swaps disclosed in Note 15 are considered part of the fair values of the corresponding hedged items (i.e., long-term bank loans).

Hedge accounting was applied to all derivative transactions for the years ended March 31, 2015 and 2014.

17. CONTINGENT LIABILITIES

At March 31, 2015, the Group had the following contingent liabilities.

	Millions of yen	Thousands of U.S. dollars
Guarantees of members' bank loans	¥ 20,193	\$ 168,275

18. OTHER COMPREHENSIVE INCOME

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the years ended March 31, 2015 and 2014 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net unrealized gain on available-for-sale securities:			
Increase during the year	¥ 5,504	¥ 1,408	\$ 45,866
Reclassification adjustments to net income (loss)	(541)	-	(4,508)
Subtotal, before tax	4,963	1,408	41,358
Tax effect	(1,527)	(497)	(12,725)
Net unrealized gain on available-for-sale securities	3,436	-	28,633
Foreign currency translation adjustments			
Increase during the year	2,671	-	22,258
Retirement Benefit Adjustment			
Increase during the year	143	-	1,192
Reclassification adjustments to net income (loss)	(10)	-	(83)
Subtotal, before tax	133	-	1,109
Tax effect	(35)	-	(291)
Retirement benefit adjustment	98	-	818
Total other comprehensive income	¥ 6,205	¥ 911	\$ 51,709

19. SEGMENT INFORMATION

The Company has adopted ASBJ Statement No. 17, entitled the "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, entitled the "Guidance on Accounting Standard for Segment Information Disclosures," under which an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and for which such information is evaluated regularly by the Board of Directors of the Company in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Along with organizational changes that became effective from April 1, 2014, segmentation was changed from the beginning of the fiscal year ended March 31, 2015. For the “golf operations” segment, operations of golf courses with hotels and operations of golf course restaurants was moved to the “hotel and restaurant” segment and operations of other types of golf courses and operations of sale of golf course memberships was moved to the “membership operations” segment.

As a result of the change in business segments, the Group has three kinds of operational headquarters which plan comprehensive strategies and develop their business activities. Accordingly, the Group is composed of segments by the nature of its products and services and has established the following three reportable segments: the “membership” segment; the “hotel and restaurant” segment; and the “medical” segment.

(a) Description of reportable segments

The “membership” segment is engaged in the sale of hotel memberships and financing of hotel members, construction and management of golf courses, sale of golf memberships and financing of golf members. The “hotel and restaurant” segment is engaged in the operations of hotels, restaurants and others, including operations of golf courses with hotels, operations of golf course restaurants, cleaning of hotels, providing services to members (sales in Wonder Net operations, handling of renewal fees and registration fees, sales in the travel division, mail-order sales, handling of commission fees from mutual exploitation of membership hotels), business of non-life insurance agencies, manufacturing and sale of hair accessories and providing services in beauty. The “medical” segment is engaged in the sale and management of medical memberships, financing of medical members, consulting for management of medical care centers, rental service of medical care facilities and home care service.

(b) Methods of measurement for net sales, profits, assets and other items for each reportable segment

The accounting methods used for each reportable segment are consistent with those disclosed in Note 2, “Summary of Significant Accounting Policies.” Reportable segment profit represents operating income. Prices of intersegment transactions or transfers are determined based upon current market prices.

As stated in “Changes in Accounting Policies,” as the Company has applied PITF No. 30 from the beginning of the fiscal year ended March 31, 2015, the impact of applying PITF No. 30 was retrospectively reflected in the figures of segment profit for the fiscal year ended March 31, 2014.

As a result of this change, segment profit for the fiscal year ended March 31, 2014 increased by ¥38 million in the membership segment, ¥21 million in the hotel and restaurant segment, ¥11 million in the medical segment and ¥0 million in others, respectively, compared with the figures that would have been reported prior to this change.

(c) Information about net sales, profits, assets and other items is as follows.

For the year 2015

	Millions of yen					
	Reportable segment					Total
	Membership	Hotel and Restaurant	Medical	Subtotal	Others (*1)	
Net sales:						
Sales to external customers	¥ 33,591	¥ 65,463	¥19,746	¥118,800	¥ 1,602	¥ 120,402
Intersegment sales or transfers	328	2,453	38	2,819	422	3,241
Total	<u>¥ 33,919</u>	<u>¥ 67,916</u>	<u>¥19,784</u>	<u>¥121,619</u>	<u>¥ 2,024</u>	<u>¥ 123,643</u>
Segment profit	<u>¥ 6,231</u>	<u>¥ 4,906</u>	<u>¥ 4,287</u>	<u>¥ 15,424</u>	<u>¥ 618</u>	<u>¥ 16,042</u>
Segment assets	<u>¥ 67,894</u>	<u>¥ 109,253</u>	<u>¥29,816</u>	<u>¥206,963</u>	<u>¥ 18,960</u>	<u>¥ 225,923</u>
Other items:						
Depreciation	¥ 567	¥ 3,887	¥ 916	¥ 5,370	¥ 442	¥ 5,812
Amortization of goodwill	5	-	135	140	-	140
Amount of investment in associated companies accounted for using the equity method	234	-	39	273	-	273
Increase in property and equipment and intangible assets	171	38,702	3,221	42,094	62	42,156

For the year 2014

	Millions of yen					
	Reportable segment					Total
	Membership	Hotel and Restaurant	Medical	Subtotal	Others (*1)	
Net sales:						
Sales to external customers	¥ 36,275	¥ 62,304	¥17,342	¥ 115,921	¥ 904	¥ 116,825
Intersegment sales or transfers	325	1,783	11	2,119	424	2,543
Total	<u>¥ 36,600</u>	<u>¥ 64,087</u>	<u>¥17,353</u>	<u>¥118,040</u>	<u>¥ 1,328</u>	<u>¥ 119,368</u>
Segment profit	<u>¥ 6251</u>	<u>¥ 4,931</u>	<u>¥ 3,755</u>	<u>¥ 14,937</u>	<u>¥ 253</u>	<u>¥ 15,190</u>
Segment assets	<u>¥ 66,159</u>	<u>¥ 74,177</u>	<u>¥25,381</u>	<u>¥ 165,717</u>	<u>¥ 19,503</u>	<u>¥ 185,220</u>
Other items:						
Depreciation	¥ 935	¥ 3,556	¥ 800	¥ 5,291	¥ 198	¥ 5,489
Amortization of goodwill	5	-	122	127	-	127
Amount of investment in associated companies accounted for using the equity method	234	-	116	350	-	350
Increase in property and equipment and intangible assets	690	4,472	9,466	14,628	11,488	26,116

For the year 2015

Thousands of U.S. dollars

	Reportable segment					
	Membership	Hotel and Restaurant	Medical	Subtotal	Others (*1)	Total
Net sales:						
Sales to external customers	\$ 279,925	\$ 545,525	\$164,550	\$990,000	\$ 13,350	\$1,003,350
Intersegment sales or transfers	2,733	20,442	317	23,492	3,517	27,009
Total	<u>\$ 282,658</u>	<u>\$ 565,967</u>	<u>\$164,867</u>	<u>\$1,013,492</u>	<u>\$ 16,867</u>	<u>\$1,030,359</u>
Segment profit	<u>\$ 51,925</u>	<u>\$ 40,883</u>	<u>\$ 35,725</u>	<u>\$ 128,533</u>	<u>\$ 5,150</u>	<u>\$ 133,683</u>
Segment assets	<u>\$ 565,783</u>	<u>\$ 910,442</u>	<u>\$248,467</u>	<u>\$1,724,692</u>	<u>\$158,000</u>	<u>\$1,882,692</u>
Other items:						
Depreciation	\$ 4,725	\$ 32,392	\$ 7,633	\$ 44,750	\$ 3,683	\$ 48,433
Amortization of goodwill	42	-	1,125	1,167	-	1,167
Amount of investment in associated companies accounted for using the equity method	1,950	-	325	2,275	-	2,275
Increase in property and equipment and intangible assets	1,425	322,516	26,842	350,783	517	351,300

Note *1: "Others" is a business segment that is not included in reportable segments. It includes the businesses of real estate rental and cottage management, etc.

Differences between the totals of reportable segments and the same under the consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net sales:			
Reportable segment total	¥ 121,619	¥ 118,040	\$ 1,013,492
Others	2,024	1,328	16,867
Eliminations	(3,241)	(2,543)	(27,009)
Consolidated	<u>¥ 120,402</u>	<u>¥ 116,825</u>	<u>\$ 1,003,350</u>
Segment profit:			
Reportable segment total	¥ 15,424	¥ 14,937	\$ 128,533
Others	618	253	5,150
Consolidated	<u>¥ 16,042</u>	<u>¥ 15,190</u>	<u>\$ 133,683</u>
Segment assets:			
Reportable segment total	¥ 206,963	¥ 165,717	\$ 1,724,692
Others	18,960	19,503	158,000
Corporate assets (*2)	164,909	115,554	1,374,241
Consolidated	<u>¥ 390,832</u>	<u>¥ 300,774</u>	<u>\$ 3,256,933</u>

Note *2: Corporate assets are mainly the Company's surplus assets under management (cash and cash equivalents and marketable securities) and long-term investment assets (investment securities and long-term time deposits) that are not attributable to the reportable segments and assets belonging to the management division.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Depreciation:			
Reportable segment total	¥ 5,370	¥ 5,291	\$ 44,750
Others	442	198	3,683
Consolidated	¥ 5,812	¥ 5,489	\$ 48,433
Amortization of goodwill:			
Reportable segment total	¥ 140	¥ 127	\$ 1,167
Consolidated	¥ 140	¥ 127	\$ 1,167
Amount of investment in associated companies accounted for using the equity method:			
Reportable segment total	¥ 273	¥ 350	\$ 2,275
Consolidated	¥ 273	¥ 350	\$ 2,275
Increase in property and equipment and intangible assets:			
Reportable segment total	¥ 42,094	¥ 14,628	\$ 350,783
Others	62	11,488	517
Adjustments (*3)	1,073	311	8,942
Consolidated	¥ 43,229	¥ 26,427	\$ 360,242

*Note *3: Adjustments of increase in property and equipment and intangible assets are mainly related to system software.*

Related Information

1. Information about products and services

Information about products and services is not presented since the same information has been presented in segment information.

2. Information about geographical areas

(1) Net sales

Sales data by geographical areas is not presented since sales to external customers in Japan represented more than 90% of total sales in the consolidated statements of income.

(2) Property and equipment

For the year 2015

	Millions of yen	Thousands of U.S. dollars
Located in Japan	¥ 119,230	\$ 993,583
Located in U.S.A	34,554	287,950
Total	¥ 153,784	\$1,281,533

For the year 2014

This information is not applicable since no property or equipment existed outside Japan.

3. Information about major customers

Information about major customers is not presented since sales to any specific external

customer did not account for more than 10 % of total sales in the consolidated statements of income.

4. *Loss on impairment of long-lived assets for each reportable segment*

	Membership	Hotel and Restaurant	Medical	Others	Eliminations	Consolidated
	Millions of yen					
Loss on impairment of long-lived assets:						
For 2015	¥ 2,707	¥ -	¥ -	¥ -	¥ -	¥ 2,707
For 2014	¥ -	¥ 317	¥ -	¥ -	¥ -	¥ 317
	Thousands of U.S. dollars					
For 2015	\$ 22,558	\$ -	\$ -	\$ -	\$ -	\$ 22,558

5. *Amortization of goodwill and unamortized balance for each reportable segment*

	Membership	Hotel and Restaurant	Medical	Others	Eliminations	Consolidated
	Millions of yen					
Balance of goodwill:						
At March 31, 2015	¥ 8	¥ -	¥ 223	¥ -	¥ -	¥ 231
At March 31, 2014	¥ 13	¥ -	¥ 346	¥ -	¥ -	¥ 359
	Thousands of U.S. dollars					
At March 31, 2015	\$ 67	\$ -	\$ 1,858	\$ -	\$ -	\$ 1,925

Note: Amortization of goodwill is not presented since the same information is presented in the table on information about net sales, profits, assets and other items.

The amounts and amortization of negative goodwill allocated by business combinations completed before April 1, 2010 were as follows.

	Membership	Hotel and Restaurant	Medical	Others	Eliminations	Consolidated
	Millions of yen					
Amortization of negative goodwill:						
For 2015	¥ -	¥ -	¥ 121	¥ -	¥ -	¥ 121
For 2014	¥ -	¥ -	¥ 121	¥ -	¥ -	¥ 121
Balance of negative goodwill:						
At March 31, 2015	¥ -	¥ -	¥ 463	¥ -	¥ -	¥ 463
At March 31, 2014	¥ -	¥ -	¥ 584	¥ -	¥ -	¥ 584
	Thousands of U.S. dollars					
Amortization of negative goodwill						
For 2015	\$ -	\$ -	\$ 1,008	\$ -	\$ -	\$ 1,008
Balance of negative goodwill						
At March 31, 2015	\$ -	\$ -	\$ 3,858	\$ -	\$ -	\$ 3,858

6. *Gain on negative goodwill for each reportable segment*

This information is not applicable to the Group.

20. SUBSEQUENT EVENTS

a. Sales of shares of subsidiaries

The Company decided to sell the preferred shares of OAKMONT GOLF CLUB CO., LTD. and Maple Point Golf Club Co., LTD., both of which are consolidated subsidiaries of the Company, to the issuers of the preferred shares at the Board of Directors meeting held on May 15, 2015.

b. Early redemption of corporate bonds

Due to the fact that the conditions of the call option clause as defined in the terms and conditions of the Zero Coupon Unsecured Convertible Bonds due 2018 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) issued by the Company (“the Bonds”) have been triggered and the right of early redemption of all of the outstanding principal of the Bonds at 100 per cent of the principal amount (the outstanding balance of the Bonds was ¥4,300 million (\$35,833 thousand) as of May 31, 2015) has entitled the Company on May 7, 2015, to exercise the right of early redemption of the Bonds the Company decided to redeem all of the outstanding principal amount of the Bonds as of July 29, 2015.

c. Appropriations of retained earnings

The following appropriation of retained earnings at March 31, 2015 was approved at the Company’s Shareholders’ General Meeting held on June 26, 2015.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends of ¥23 (\$0.19) per share	¥ 2,426	\$ 20,217

Note 1: The above amount includes dividends of ¥46 million (\$383 thousand) for 2,009,200 shares of treasury stock held by the Trust (see also Note 2(w)) at March 31, 2015.

Note 2: Dividends of ¥23 per share comprised of a year-end dividend of ¥20 per share and a commemorative dividend of ¥3 per share to commemorate the Company’s successful first step into the overseas market.
