Consolidated Financial Statements (Japanese Accounting Standard)

May 11, 2015

(For the year ended March 31, 2015)

Name of Company Listed: **Leopalace21 Corporation** Stock Listing: Tokyo Stock Exchange
Code Number: 8848 URL: http://eg.leopalace21.com/ Location of Head Office: Tokyo
Representative: Position: President and CEO Name: Eisei Miyama
Name of Contact Person: Position: Executive Officer Name: Bunya Miyao Telephone: +81-3-5350-0216
Scheduled Date of Annual Meeting for Stockholders: June 26, 2015
Scheduled Date of Filing of Securities Report: June 26, 2015
Scheduled Date of Commencement of Dividend Payments: –
Supplemental Explanatory Material Prepared: Yes
Results Briefing Held: Yes (for investment analysts and institutional investors)

1. Results for the Fiscal Year Ended March 31, 2015 (April 1, 2014 through March 31, 2015)

(1) Consolidated financial results (Amounts less than one million yen are omitted)

(The percentage figures indicate rate of gain or loss compared with the same period last year)

	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended March 31, 2015	**483,188**	**2.6**	**14,763**	**8.0**	**13,424**	**16.0**	**14,507**	**(4.7)**
FY ended March 31, 2014	471,089	3.7	13,673	84.4	11,574	4.4	15,229	14.2

Note: Comprehensive income: As of March 31, 2015: 19,904 million yen (-9.3%); As of March 31, 2014: 21,950 million yen (88.6%)

	Net income per share	Diluted net income per share	Return on equity	Recurring income / Total capital	Operating income / Net sales
	Yen	Yen	%	%	%
FY ended March 31, 2015	**55.19**	**–**	**12.5**	**4.5**	**3.1**
FY ended March 31, 2014	67.17	–	18.7	4.2	2.9

Reference: Equity in earnings of affiliates in FY ended March 31, 2015: (8) million yen, FY ended March 31, 2014: 2 million yen.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Equity per share
	Million yen	Million yen	%	Yen
As of March 31, 2015	**308,274**	**126,473**	**41.0**	**481.05**
As of March 31, 2014	287,459	104,860	36.5	398.78

Reference: Shareholders' equity: As of March 31, 2015: 126,455 million yen; As of March 31, 2014: 104,829 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
FY ended March 31, 2015	**15,715**	**(17,550)**	**1,747**	**74,504**
FY ended March 31, 2014	15,584	(6,929)	8,848	74,150

2. Dividend Status

	Dividend per share					Total cash dividends (annual)	Dividend payout ratio (consolidated)	Dividend on equity ratio (consolidated)
(Base date)	End of Q1	End of Q2	End of Q3	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY ended March 31,	–	0.00	–	0.00	0.00	–	–	–
FY ended March 31, 2015	–	0.00	–	0.00	0.00	–	–	–
FY ending March 31, 2016 (Estimate)	–	–	–	–	–		–	

Note: Dividend for the end of FY ending March 31, 2016 is undecided.

3. Estimation of Business Results for the Fiscal Year Ending March 31, 2015 (April 1, 2016 through March 31, 2015)

(The percentage figures for full year indicate rate of gain or loss compared with the previous FY, while those for the interim period indicate rate of gain or loss compared with the same term in the previous FY)

	Net Sales		Operating income		Recurring income		Net income attributable to shareholders of the parent entity		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2015	253,000	8.6	8,000	31.4	7,300	31.6	6,100	20.4	23.20
FY ending March 31, 2016	525,000	8.7	19,500	32.1	18,000	34.1	16,000	10.3	60.87

4. Other

(1) Changes in major subsidiaries during the FY (Change in specific subsidiaries as a result of a change in the scope of consolidation): None

(2) Changes in accounting principles, procedures or reporting methods used in preparation of financial statements (Changes in important items concerning preparation of financial statements)

(i) Changes in accounting policies accompanying revision of accounting standards, etc.: Yes
(ii) Changes in accounting policies other than (i) above: None
(iii) Changes in accounting estimates: None
(iv) Restatements: None

(3) Total number of outstanding shares (Common stock)

(i) Total number of outstanding shares at term end (Includes treasury stock)
As of March 31, 2015: 267,443,915 shares, As of March 31, 2014: 267,443,915 shares
(ii) Total treasury stock at term end
As of March 31, 2015: 4,569,430 shares, As of March 31, 2014: 4,569,210 shares
(iii) Average number of outstanding shares during the period
As of March 31, 2015: 262,874,579 shares, As of March 31, 2014: 226,724,158 shares

(Reference) Summary of Non-Consolidated Financial Statements

1. Results of the Fiscal Year Ended March 31, 2015 (April 1, 2014 through March 31, 2015)

(1) Non-consolidated financial results (The percentage figures indicate rate of gain or loss compared with the previous FY)

	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended March 31, 2015	**484,360**	**3.1**	**15,595**	**17.0**	**14,546**	**28.1**	**15,327**	**4.5**
FY ended March 31, 2014	469,665	4.8	13,332	96.7	11,352	20.4	14,664	24.3

	Net income per share	Diluted net income per share
	Yen	Yen
FY ended March 31, 2015	**58.31**	**—**
FY ended March 31, 2014	64.68	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Equity per share
	Million yen	Million yen	%	Yen
As of March 31, 2015	**284,927**	**117,254**	**41.1**	**445.98**
As of March 31, 2014	278,223	100,266	36.0	381.36

Reference: Shareholders' equity: As of March 31, 2015: 117,236 million yen, As of March 31, 2014: 100,248 million yen

2. Estimation of Non-consolidated Business Results for the Fiscal Year Ending March 31, 2016 (April 1, 2015 through March 31, 2016)

(The percentage figures for full year represent the change compared with the previous FY, while those for the interim period represent the change compared with the same term in the previous FY)

	Net Sales		Recurring income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2015	244,500	4.3	7,000	31.8	5,900	26.7	22.44
FY ending March 31, 2016	507,100	4.7	17,800	22.4	15,600	1.8	59.34

Indication regarding the status of auditing:
These financial statements are not subject to auditing under the Financial Instruments and Exchange Act. The review of these financial statements in accordance with the Financial Instruments and Exchange Act was not completed at the time of disclosure.

Explanation on the proper use of the business forecasts, and other special notices:
(Note on the business forecasts and other forward-looking statements)
The business forecasts and other forward-looking statements contained in this report are based on information currently available to the Company and on certain assumptions that Leopalace21 has judged to be reasonable. Readers should be aware that a variety of factors might cause actual results to differ significantly from these forecasts.
Concerning assumptions of business forecasts and note on the proper use of these forecasts, see page 5. "1. Business Results (1) Analysis of Business Results."

【Table of Content of Material】

1. Business Results 4

(1) Analysis of Business Results 4
(2) Analysis of Consolidated Financial Position 5
(3) Fundamental Policy on the Distribution of Earnings and Dividends for the Fiscal Year under Review and Next Fiscal Year 6
(4) Business and Other Risks 7

2. Management Policy 8

(1) Fundamental Policy of Company Management 8
(2) Management Indicator Goals 8
(3) Company Management Strategy for the Medium- Long-Term 8
(4) Issues to be Addressed by the Company 9

3. Basic approach to selection of accounting standards 9

4. Consolidated Financial Statements 10

(1) Consolidated Balance Sheets 10
(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income 13
Consolidated Statements of Operations 13
Consolidated Statements of Comprehensive Income (loss) 15
(3) Consolidated Statements of Changes in Net Assets 16
(4) Consolidated Statements of Cash Flows 18
(5) Notes Regarding Consolidated Financial Statements 20
(Notes Regarding the Premise of the Company as a Going Concern) 20
(Significant Items Fundamental to the Preparation of Consolidated Financial Statements) 20
(Changes in Accounting Policies) 20
(Business Combination, etc.) 21
(Segment Information) 23

1. Business Results
(1) Analysis of Business Results

(Million yen)

	Net sales	Operating income	Recurring income	Net income
FY ended March 31, 2015	483,188	14,763	13,424	14,507
FY ended March 31, 2014	471,089	13,673	11,574	15,229
change	12,099	1,090	1,849	(721)

During the fiscal year under review, although weakness can be seen in individual consumption due to the increase in consumption tax, a continuing recovery in the Japanese economy was evidenced primarily by the improvement in corporate earnings, employment, and income.

In the rental housing industry, new housing starts of leased units declined for the first time in three years (3.1% down year-on-year), due to negative effects of the rush demand from consumption tax increase. To achieve stable occupancy rates against the increasing number of vacant houses in the market, housing supply in limited areas and high-quality housing and services are required.

Under these conditions, the Leopalace21 Group aims to build solid management strength focusing on the core businesses, made up of leasing and construction, based on the Medium-term Management Plan “EXPANDING VALUE” announced in May 2014. In addition, the Group aims to establish new businesses that will contribute to future growth.

As a result, consolidated net sales for the fiscal year under review came to ¥483,188 million (up 2.6% year-on-year). Consolidated operating income was ¥14,763 million (up 8.0%), consolidated recurring income was ¥13,424 million (up 16.0%) and consolidated net income was ¥14,507 million (down 4.7%).

On a non-consolidated basis, net sales were ¥484,360 million (up 3.1% year-on-year), operating income was ¥15,595 million (up 17.07%), recurring income was ¥14,546 million (up 28.1%), and net income was ¥15,327 million (up 4.5%).

(Actual figures by segment)

(Million yen)

	Net sales			Operating income (loss)		
	FY ended March 31, 2014	FY ended March 31, 2015	change	FY ended March 31, 2014	FY ended March 31, 2015	change
Leasing Business	388,768	399,316	10,548	15,567	20,532	4,965
Construction Business	63,135	61,312	(1,823)	2,954	210	(2,743)
Elderly Care Business	10,171	10,608	436	(610)	(606)	4
Hotels & Resort Business	7,571	8,951	1,379	(1,118)	(1,289)	(170)
Others	1,442	2,999	1,557	137	31	(106)
Adjustments	—	—	—	(3,256)	(4,116)	(859)
Total	471,089	483,188	12,099	13,673	14,763	1,090

(i) Leasing Business

The occupancy rate at the end of the consolidated fiscal year under review was 89.29% (up 1.82 points from the end of last fiscal year) and the average occupancy rate for the fiscal year was 86.57% (up 1.99 points from the last fiscal year).

In the leasing business, to establish stable profits led by occupancy improvement, the Group implemented measures such as tenant recruitment utilizing direct leasing offices, franchises, and local real estate brokers, as well as expanding tenant services including “Room Customize” and security system installations. In addition, the Group further strengthened sales against corporate and foreign clients as well as reduced costs by reviewing routine property management tasks.

The number of units under management at the end of the consolidated fiscal year under review was 554,000 (increasing 6,000 from the end of last fiscal year), and the number of direct offices was 188 (increasing 4). The number of franchise offices was 141 (decreasing 23).

As a result of the above, net sales amounted to ¥399,316 million (up 2.7% year-on-year), and operating income was ¥20,532 million (up 31.9% year-on-year).

(ii) Construction Business

Orders received during the consolidated fiscal year under review were ¥87,395 million (up 7.7% from last fiscal year) and the orders received outstanding at the end of the consolidated fiscal year under review stood at ¥58,136 million (up 30.7% from last fiscal year).

In the Construction business, the Group aimed to improve profitability by focusing apartment supply in the three metropolitan areas where solid leasing demand is anticipated, as well as installing “non-sound floors” which improve sound insulation and developing products targeting females and young tenants. The Group also expanded construction variations to meet various land usage needs and has begun restructuring construction methods. However, the influence of worker shortage and cost increase in construction materials cannot be avoided.

As a result, net sales came to ¥61,312 million (down 2.9% year-on-year), and operating income was ¥210 million (down 92.9% year-on-year).

(iii) Elderly Care Business

Net sales were ¥10,608 million (up 4.3% year-on-year), and operating loss was ¥606 million (improving ¥4 million). In the elderly care business, which was positioned as growth strategy area in the Medium-term Management Plan, the Group will open new facilities in the collaboration with construction business.

(iv) Hotels & Resort t Business

Net sales in resort facilities in Guam and hotels in Japan were ¥8,951 million (up 18.2% year-on-year), and the operating loss was ¥1,289 million (increasing ¥70 million in loss).

(v) Other Businesses

In other businesses such as the small-claims and short-term insurance business, the solar power generation business, and the finance business, net sales were ¥2,999 million (up 108.0% year-on-year), and the operating income was ¥31 million (down 77.3% year-on-year).

(Outlook for the next fiscal year)

In the next fiscal year, the Company will strengthen our competitiveness by taking in our core business as the base, expanding elderly care business by cooperating with construction business and full-scale initiation of solar power generation business and overseas business.

As for the consolidated business results of the fiscal year ending March 2016, we expect sales of 525,000 million (up 8.7% year-on-year), operating income of 19,500 million (up 32.1%), recurring income of 18,000 million (up 34.1%), and net income of 16,000 million (down 10.3%).

(2) Analysis of Consolidated Financial Position

(i) Position of Assets, Liabilities, and Net assets

(Million yen)

	Total assets	Total liabilities	Net assets
As of March 31, 2015	308,274	181,801	126,473
As of March 31, 2014	287,459	182,598	104,860
change	20,815	(797)	21,612

Total assets at the end of the fiscal year under review increased ¥20,815 million from the end of the previous fiscal year, to ¥308,274 million. This was mainly attributable to an increase of ¥16,927 million in property, plant and equipment, such as machinery, equipment, and vehicles related to solar power generation business, ¥2,801 million in deferred tax assets, ¥1,684 million in goodwill, and ¥1,429 million in other accounts receivables, despite a decrease of ¥3,023 million in prepaid expenses.

Total liabilities decreased ¥797 million from the end of the previous fiscal year, to ¥181,801 million. This primarily reflected a decrease of ¥9,699 million in long and short term advances received and ¥4,072 million in reserve for apartment vacancy loss, despite an increase of ¥1,920 million in accounts payable for completed projects, ¥2,465 million in unpaid expenses and ¥7,260 million in interest-bearing debt.

Net assets were up ¥21,612 million from the end of the previous fiscal year, to ¥126,473 million, chiefly due to an increase of ¥16,216 million in retained earnings from net income and application of accounting policies related to retirement benefits, as well as an increase of ¥5,662 million in foreign currency translation adjustments. The ratio of shareholders' equity to assets rose 4.5 points from the end of the previous fiscal year, to 41.0%.

(ii) Cash flow position

Cash flow from operating activities was a net inflow of ¥15,715 million (an increase of ¥131 million in net inflow from the previous fiscal year). This was mainly due to ¥12,896 million of income before taxes and minority interests, ¥7,736 million of depreciation, an increase of ¥4,924 million in accounts payable and a decrease of ¥3,734 million in long-term prepaid expenses, despite a decrease of ¥9,572 million in advances received and ¥4,072 million in reserve for apartment vacancy loss.

Cash flow from investing activities was a net outflow of ¥17,550 million (an increase of ¥10,620 million in net outflow from the previous fiscal year). This was primarily due to payments for the purchase of property, plant and equipment of ¥16,531 million, as well as payments for the purchase of shares in subsidiaries of ¥812 million.

Cash flow from financing activities was a net inflow of ¥1,747 million (a decline of ¥71 million in net inflow from the previous fiscal year). This was chiefly due to proceeds from the loans and bond of ¥3,354 million (after deduction of repayment of borrowings and bonds redemption), despite a repayment of finance lease obligations of ¥166 million.

As a result, cash and cash equivalents at the end of the consolidated fiscal year under review stood at ¥74,504 million, an increase of ¥354 million from the end of the previous fiscal year

(Reference) Trends in cash flow indicators

	FY ended March 31, 2011	FY ended March 31, 2012	FY ended March 31, 2013	FY ended March 31, 2014	FY ended March 31, 2015
Equity ratio (%)	11.1	12.8	22.2	36.5	41.0
Market price based equity ratio (%)	6.2	18.0	32.2	45.3	53.6
Ratio of cash flow to interest-bearing debt (year)	—	—	8.1	2.4	2.8
Interest coverage ratio (ratio)	—	—	4.7	9.8	13.8

Equity ratio: Shareholders equity/assets

Market price based equity ratio: Market capitalization/assets

Ratio of cash flow to interest-bearing debt: Interest-bearing debt/cash flow

Interest coverage ratio: Cash flow/interest paid

(Note 1) Ratios are calculated on the basis of consolidated financial data.
(Note 2) Market capitalization is calculated as closing price at the end of the fiscal year x shares outstanding at the end of the fiscal year (excluding treasury stock).
(Note 3) Cash flow is cash flow from operations from the Consolidated Statements of Cash Flow. Interest-bearing debt is all of the debt noted on the Consolidated Balance Sheets on which interest is being paid.
(Note 4) The ratio of cash flow to interest-bearing debt and the interest coverage ratio for the fiscal years ended March 2011and March 2012 are not shown because cash flow from operating activities was negative in those years.

(3) Fundamental Policy on the Distribution of Earnings and Dividends for the Fiscal Year under Review and Next Fiscal Year

The Leopalace Group acknowledges that the distribution of profit to shareholders is an important management issue. However, retained earnings are negative on non-consolidated basis, so it is with deep regret that the Group will pass on the term-end dividend. The Group also plans to pass on its dividends for the next fiscal year but will endeavor to recover retained earnings through a stable profit structure with the aim of restoring the dividend.

(4) Business and Other Risks

Listed below are the principal risks that we believe could affect the Leopalace21 Group's business performance and financial position. However, this list is not all-inclusive and does not cover all the risks that could affect Group businesses. All forward-looking statements included herein reflect the judgment of the Leopalace21 Group management as of the end of the consolidated fiscal term under review.

1. Revenue-related Risk

Leopalace21 apartments are primarily utilized by single persons, and corporate contracts typically involve short-term leases of apartments for use as company dormitories by workers travelling on company business. As a result, changes in the performance of the overall economy and corporate business results could affect employment rates or the demand for business trips, and this could negatively impact occupancy rates at the Company's apartments.

In addition, we have included in our forecasts all contracted orders for apartment construction, however the possibility that the client may not be able to obtain the necessary financing or loans from a financial institution is an important risk factor. Changes in the willingness of financial institutions to provide credit, changes in the assessed value of real estate to be used as collateral, and fluctuations in interest rates could affect Company revenues and adversely affect the Company's business results.

2. Cost of Sales

Based on the Company's apartment construction contract, the Company concludes a master lease agreement with apartment owners to lease back the constructed apartment for a period of time and at a rent level that are both fixed at the time the contract is concluded. Therefore, fluctuations in the amount of rental income received from tenants during the contract period could adversely affect the Company's profitability.

3. Risks Associated with Tangible Fixed Assets and Real Estate Held for Resale

Impairment losses or appraisal losses due to declines in the current market value of marketable securities, property for sale, fixed assets, or other assets could adversely affect the Company's business performance as well as its financial position. Moreover, with regard to the Company's hotel and resort related businesses, there will be a continuing need for regular investments in facility replacement and renewal. As a result, changes in depreciation expenses could have an effect on the Company's business performance.

4. Loan Losses, and Reserve for Bad Debt

The Company conducts financing activities, and carries on its books a balance for operating loans receivable comprising apartment construction loans and real estate equity loans. The Company also may guarantee the housing loans and membership fee loans offered to its customers by financial institutions. Apartment and other loans where repayment has become doubtful are accounted for separately as doubtful receivables (tangible), and a reserve is made for bad debt in each such case; however, our business results could be affected if amounts of uncollectible debt should increase, or if we should be obliged to honor claims pertaining to these loan guarantees.

5. Reserve for Apartment Vacancy Loss

In order to prepare for a risk of losses due to an increase in apartment vacancies, Leopalace21 has established a "Reserve for apartment vacancy loss" reserve fund equal to the amount of loss that may be expected to be incurred during a reasonably estimable period. The amount of this reserve is based on the rent levels set for individual leased units, the number of households, and occupancy rate forecasts calculated for each apartment building. Should any of these figures fall below the estimated values it could become necessary to increase the amount of the reserve, and this could adversely affect the results of the Company's leasing business.

6. Leasehold Deposits and Guarantee Deposits

Leopalace21 has long-term deposits from property owners held as an advance for apartment repair and renovation. These consist mainly of deposits received from property owners as a portion of future repair and renovation expenses, following the dissolution of Leopalace21 Owners Mutual Insurance Association. Leopalace21 makes a concerted effort as a leasing business operator to ensure the soundness of the apartment maintenance structure, through which properties fully leased from the owner are operated and maintained. However, an unexpected, large-scale repair or renovation could have an impact on Leopalace21's financial position.

Leopalace21 also has deposits for Leopalace Resort memberships related to the Guam resort business, most of which date to the opening of the resort complex in July 1993. The Leopalace21 Group works to increase member usage by improving facilities and

member services, but should there be an unexpected number of requests for reimbursement of these deposits, this could have an impact on Leopalace21's financial position.

7. Financial Covenants

Financial covenants have been set on the numerous loan agreements that Leopalace21 has concluded with financial institutions. Accordingly, should consolidated or non-consolidated net assets, consolidated or non-consolidated interest-bearing debt, non-consolidated operating income violate the conditions of a financial covenant, there is a possibility that the Company, at the behest of the financial institution, could forfeit the benefit of the term for corporate bonds or other borrowings, which could have an impact on the Company's operating performance.

8. Information Leaks

The Leopalace21 Group holds a great deal of information, including personal information obtained through the consent of, or as a result of non-disclosure agreements with client companies. To control information security, the Company has drawn up the required information security guidelines, and set up a Compliance Committee to thoroughly educate our executive officers and employees about information security issues. Nevertheless, in the unlikely event that a leak of information of some type should occur, there is a possibility that the Group's reputation could be damaged, and that business performance might be affected.

9. Other Risks

The Group is aware that it incurs a variety of risks in the course of promoting its businesses, and it attempts to prevent, distribute or avoid risk whenever possible. Nevertheless, the Group's business performance and financial position may be affected by changes in economic conditions, the real estate market, the financial and stock markets, legal regulations, natural disasters, and a variety of other factors.

2. Management Policy

(1) Fundamental Policy of Company Management

Following the corporate mission of "Creating New Value," the Company aims to i. Create new value that is unique to the Company through the teamwork of all employees taking part in planning with flexible ideas and drive while steadily focusing on the needs of the present day. ii. By making our clients' happiness our happiness, to continue growth as a company that is always evolving its products, service and technology. iii.

As a leading company in the industry, to create new value for all of society by contributing to the creation of an affluent society with a pleasant lifestyle.

(2) Management Indicator Goals

The Company has set its financial targets for the final year of it Medium-Term Management Plan "Expanding Value" (fiscal year ended March 31, 2015 - fiscal year ending March 31, 2017), which we announced on May 9, 2014, at ¥540 billion for net sales, ¥22.0 billion for operating income, ¥19.0 billion for net income, 12.3% for ROE, and 6.0% for ROA.

(3) Company Management Strategy for the Medium- Long-Term

The Company aims to build solid management strength based on its fundamental policy of "focusing on core businesses and challenging itself with new business fields" as established in its New Medium-Term Management Plan.

The Company aims to develop the leasing business further as a highly profitable business by taking various steps such as improving strong corporate sales, addressing tenant needs through "Room Customize" and the installation of security systems, strengthening efforts for foreign students who demonstrate solid demand, expanding its sales network through new store openings, and reducing costs by reviewing routine property management tasks.

In the construction business, the Company will seek a new profit foundation through measures such as supplying apartments in urban areas where a high occupancy rate is expected, offering advanced new products, building high-quality apartments by paying attention to earthquake protection and sound insulation, etc., and expanding the number of orders received for business buildings such as elderly care and commercial facilities and built-to-order houses. In the new Medium-Term Management Plan, the Company positions the elderly care business as a growth strategy area and will endeavor to promote the opening of care facilities through collaboration with the construction business. As a company-wide measure, the Company will also maintain a low cost structure while strategically investing in the costs (personnel, advertising, and sales promotion expenses) necessary to expand future sales and earnings.

(4) Issues to be Addressed by the Company

・Acquisition of individual clients and the promotion of long-term occupancy

With respect to the tenants in the Company's properties under management, corporate clients constitute a rising trend while individual clients constitute a declining trend. The Company's policy is to continue to enhance strong corporate sales; however, taking into consideration the fact that corporate clients are easily impacted by economic cycles, from the perspective of assuring stable sales and earnings, the Company will also strengthen its efforts to take in individual clients and promote long-term occupancy through measures such as implementing advertising and sales campaigns for individual clients, expanding its sales network through new store openings, and providing a variety of services for tenants.

・Improving earnings power and developing new businesses

For the Group to grow sustainably, improving its earnings power in the leasing business and developing new business domains will be necessary. Although the Group has already made efforts to increase its earnings power by enhancing tenant services and implementing measures to increase the value of properties, in addition to implementing a "leased roof solar power generation business" through a solar power generation company, operating the rental housing management business through a joint venture in South Korea and the local real estate agency business and development of service apartments in countries of ASEAN, the Company will continue to work on developing new business fields, products and services, as well as its revenue base.

3. Basic approach to selection of accounting standards

The Leopalace Group has been preparing its consolidated financial statements based on the Japanese Accounting Standard by taking into account the comparability of the consolidated financial statements between terms and between companies.

Moreover, the Group has adopted a policy of giving appropriate consideration to the application of the International Financial Reporting Standards (IFRS) by primarily taking into account the progress of the ratio of foreign shareholders and the trends of domestic companies in the same industry.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Million yen)

	March 31, 2015	March 31, 2014
<Assets>		
Current assets		
Cash and cash equivalents	75,221	74,767
Trade receivables	6,254	5,490
Accounts receivable for completed projects	1,714	1,651
Operating loans	1,135	1,429
Marketable securities	831	350
Real estate for sale/property inventories	21	—
Payment for construction in progress	647	501
Raw materials and supplies	609	464
Prepaid expenses	3,656	6,679
Deferred tax assets	4,447	4,147
Other accounts receivable	3,013	1,584
Other	4,907	5,479
Allowance for doubtful accounts	(199)	(221)
Total	**102,263**	**102,324**
Fixed assets		
Property, plant and equipment		
Buildings and structures	130,100	121,075
Accumulated depreciation	(70,200)	(64,001)
Net	59,899	57,073
Machinery, equipment, and vehicles	20,259	7,326
Accumulated depreciation	(5,143)	(3,376)
Net	15,115	3,950
Land	83,289	81,800
Leased assets	14,809	11,470
Accumulated depreciation	(6,928)	(6,302)
Net	7,880	5,167
Construction in progress	992	3,712
Other	12,065	10,844
Accumulated depreciation	(9,811)	(10,046)
Net	2,253	797
Total	**169,430**	**152,503**
Intangible assets		
Goodwill	1,684	—
Other	7,210	6,601
Total	**8,894**	**6,601**
Investments and other assets		
Investment securities	6,832	7,257
Long-term loans	540	562
Bad debt	1,297	1,420
Long-term prepaid expenses	3,416	3,719
Deferred tax assets	14,654	12,152
Others	2,905	3,037
Allowance for doubtful accounts	(2,085)	(2,153)
Total	**27,561**	**25,996**
Total fixed assets	**205,887**	**185,100**

Deferred assets		
Bond issuance cost	123	34
Total	123	34
Total assets	308,274	287,459

(Million yen)

	March 31, 2015	March 31, 2014
<Liabilities>		
Current liabilities		
Accounts payable	2,803	2,685
Accounts payable for completed projects	14,049	12,128
Short-term borrowings	60	—
Current portion of long-term loans payable	23,005	2,940
Bonds due within one year	1,460	560
Lease obligations	2,353	1,575
Unpaid expenses	18,466	16,001
Accrued expenses	13	2
Accrued income taxes	944	998
Advances received	40,781	45,051
Customer advances for projects in progress	6,930	5,242
Reserve for warranty obligations on completed projects	404	231
Reserve for fulfillment of guarantees	700	582
Asset retirement obligations	41	42
Other	4,504	4,517
Total	**116,416**	**92,560**
Long-term liabilities		
Bonds	3,960	920
Long-term debt	7,300	27,077
Lease obligations	6,451	4,154
Long-term advances received	22,198	27,628
Lease/guarantee deposits received	8,019	8,492
Deferred tax liabilities	253	135
Reserve for apartment vacancy loss	5,280	9,352
Retirement benefit liabilities	9,351	10,050
Asset retirement obligations	76	43
Other	2,492	2,182
Total	**65,385**	**90,037**
Total liabilities	181,801	182,598
<Net assets>		
Shareholders' equity		
Common stock	75,282	75,282
Capital surplus	51,501	51,501
Retained earnings	427	(15,788)
Treasury stock	(3,660)	(3,660)
Total	**123,550**	**107,334**
Accumulated other comprehensive income (loss)		
Net unrealized gains on "other securities"	379	427
Foreign currency translation adjustments	3,545	(2,116)
Remeasurements of defined benefit plans	(1,021)	(815)
Total	**2,904**	**(2,504)**
Share subscription rights	18	18
Minority interests	0	13
Total net assets	126,473	104,860
Total liabilities and net assets	308,274	287,459

(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

Consolidated Statements of Operations

(Million yen)

	FY March 31, 2015 (Apr. 2014–Mar. 2015)	FY March 31, 2014 (Apr. 2013–Mar. 2014)
Net sales		
Sales from Leasing Business	399,316	388,768
Sales from Construction Business	61,312	63,135
Sales from Other Business	22,559	19,185
Total	**483,188**	**471,089**
Cost of sales		
Cost of sales from Leasing Business	337,339	335,167
Cost of sales from Construction Business	49,605	48,905
Cost of sales from Other Business	20,487	17,437
Total	**407,433**	**401,510**
Gross profit	**75,755**	**69,579**
Selling, general and administrative expenses		
Advertising expenses	3,657	3,291
Sales commission expense	2,725	3,038
Transfer to reserve for bad debt	(36)	(22)
Directors' compensation	409	341
Salary and bonuses	27,297	24,590
Retirement benefit cost	960	835
Rent expense	2,425	2,329
Depreciation and amortization	1,765	1,605
Taxes and public charges	4,227	3,117
Other	17,561	16,776
Total	**60,992**	**55,906**
Operating income	**14,763**	**13,673**
Non-operating income		
Interest income	40	45
Dividend income	83	64
Gain from cancellation of contracted work	14	18
Foreign exchange income	52	10
Equity in earnings of affiliated companies	–	2
Gain on adjustment of account payable	50	5
Refunds of fixed asset tax	88	–
Other	160	154
Total	**491**	**301**
Non-operating expenses		
Interest expenses	1,143	1,574
Commission fee	461	550
Equity in losses of affiliated companies	8	–
Other	216	274
Total	**1,830**	**2,399**
Recurring profit	**13,424**	**11,574**

(Million yen)

	FY March 31, 2015 (Apr. 2014–Mar. 2015)	FY March 31, 2014 (Apr. 2014–Mar. 2014)
Extraordinary income		
Gain on sales of property, plant and equipment	6	0
Total	**6**	**0**
Extraordinary losses		
Loss on sale of property, plant and equipment	0	1
Loss on disposal of property, plant and equipment	309	13
Impairment loss	224	778
Total	**534**	**793**
Income before taxes and minority interests	**12,896**	**10,781**
Income tax－current	1,016	768
Income tax– refund	(0)	(31)
Income taxes－deferred	(2,613)	(5,181)
Total	**(1,597)**	**(4,444)**
Income before minority interests	**14,494**	**15,226**
Minority stockholders' loss	**(13)**	**(3)**
Net income	**14,507**	**15,229**

Consolidated Statements of Comprehensive Income (loss)

(Million yen)

	FY March 31, 2015 (Apr. 2014–Mar. 2015)	FY March 31, 2014 (Apr. 2014–Mar. 2014)
Income before minority interests	14,494	15,226
Other comprehensive income (loss)		
Net unrealized gains on “other securities”	(47)	(220)
Translation adjustments	5,660	6,943
Remeasurements of defined benefit plans	(205)	–
Share of other comprehensive income of associates	2	1
Total	**5,409**	**6,723**
Comprehensive income	19,904	21,950
(Breakdown)		
Comprehensive income attributable to shareholders of the parent entity	19,917	21,953
Comprehensive income attributable to minority interests	(13)	(3)

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2014 (April 2013–March 2014)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the previous year-end	62,867	39,424	(31,018)	(4,726)	66,546
Cumulative effects of changes in accounting policies					
Restated balance after changes in accounting policies	62,867	39,424	(31,018)	(4,726)	66,546
Change in the fiscal year					
Issuance of new shares	12,415	12,415			24,830
Net income			15,229		15,229
Acquisition of treasury stock				(0)	(0)
Disposal of treasury stock		(338)		1,066	728
Changes in items other than shareholders' equity (net)					
Total change in the fiscal year	12,415	12,076	15,229	1,066	40,787
Balance at the current year-end	75,282	51,501	(15,788)	(3,660)	107,334

	Accumulated other comprehensive income				Share subscription rights	Minority interests	Total net assets
	Net unrealized gains on "other securities"	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total			
Balance at the previous year-end	648	(9,061)	—	(8,413)	18	—	58,151
Cumulative effects of changes in accounting policies							
Restated balance after changes in accounting policies	648	(9,061)	—	(8,413)	18	—	58,151
Change in the fiscal year							
Issuance of new shares							24,830
Net income							15,229
Acquisition of treasury stock							(0)
Disposal of treasury stock							728
Changes in items other than shareholders' equity (net)	(220)	6,944	(815)	5,908	—	13	5,921
Total change in the fiscal year	(220)	6,944	(815)	5,908	—	13	46,709
Balance at the current year-end	427	(2,116)	(815)	(2,504)	18	13	104,860

Fiscal year ended March 31, 2015 (April 2014–March 2015)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the previous year-end	75,282	51,501	(15,788)	(3,660)	107,334
Cumulative effects of changes in accounting policies			1,708		1,708
Restated balance after changes in accounting policies	75,282	51,501	(14,080)	(3,660)	109,042
Change in the fiscal year					
Issuance of new shares					
Net income			14,507		14,507
Acquisition of treasury stock				(0)	(0)
Disposal of treasury stock					
Changes in items other than shareholders' equity (net)					
Total change in the fiscal year	–	–	14,507	(0)	14,507
Balance at the current year-end	75,282	51,501	427	(3,660)	123,550

	Accumulated other comprehensive income				Share subscription rights	Minority interests	Total net assets
	Net unrealized gains on "other securities"	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total			
Balance at the previous year-end	427	(2,116)	(815)	(2,504)	18	13	104,860
Cumulative effects of changes in accounting policies							1,708
Restated balance after changes in accounting policies	427	(2,116)	(815)	(2,504)	18	13	106,568
Change in the fiscal year							
Issuance of new shares							
Net income							14,507
Acquisition of treasury stock							(0)
Disposal of treasury stock							
Changes in items other than shareholders' equity (net)	(47)	5,662	(205)	5,409	–	(13)	5,396
Total change in the fiscal year	(47)	5,662	(205)	5,409	–	(13)	19,904
Balance at the current year-end	379	3,545	(1,021)	2,904	18	0	126,473

(4) Consolidated Statements of Cash Flows

(Million yen)

	FY March 31, 2015	FY March 31, 2015
Cash flows from operating activities		
Income before taxes and minority interests	12,896	10,781
Depreciation	7,736	5,993
Increase (decrease) in reserve for doubtful accounts	10	(269)
Increase (decrease) in reserve for apartment vacancy loss	(4,072)	(4,597)
Interest and dividend income	(124)	(110)
Interest expense	1,143	1,574
Foreign exchange loss (gain)	(52)	(10)
Equity in losses (earnings) of affiliated companies	8	(2)
Loss (gain) on sale of property, plant and equipment	(6)	0
Write-offs of property, plant and equipment	309	13
Impairment loss	224	778
Decrease (increase) in accounts receivable	(734)	(193)
Decrease (increase) in work in process	(80)	(161)
Decrease (increase) in long-term prepaid expenses	3,774	10,067
Increase (decrease) in accounts payable	4,924	(2,513)
Increase (decrease) in customer advances for projects in progress	1,114	1,346
Increase (decrease) in advances received	(9,572)	(8,718)
Increase (decrease) in guarantee deposits received	(529)	(533)
Increase (decrease) in accrued consumption taxes	982	(519)
Other	(124)	4,628
Subtotal	17,827	17,557
Interest and dividends received	108	98
Interest paid	(1,139)	(1,584)
Income taxes paid	(1,081)	(486)
Net cash provided by operating activities	15,715	15,584
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,532)	(5,480)
Proceeds from sale of property, plant and equipment	230	3
Payment for purchase of intangible assets	(998)	(963)
Payment for purchase of investment securities	(101)	(216)
Proceeds from sale of investment securities	86	20
Payment for purchase of shares in subsidiaries	(812)	—
Payment for loans	(10)	(15)
Proceeds from collection of loans	38	36
Payments for time deposits	(600)	(700)
Proceeds from withdrawal of time deposits	500	400
Other	(349)	(13)
Net cash provided by (used in) investing activities	(17,550)	(6,929)

(Million yen)

	March 31, 2015	March 31, 2015
Cash flows from financing activities		
Proceeds from short-term debt	3,900	—
Repayment of short-term debt	(3,900)	(11,874)
Proceeds from long-term debt	7,261	—
Repayment of long-term debt	(7,846)	(2,942)
Repayment of finance lease obligations	(1,606)	(1,210)
Proceeds from issuance of bonds	4,500	—
Payment for redemption of bonds	(560)	(560)
Proceeds from issuance of shares	—	24,708
Proceeds from disposal of treasury stock	—	728
Payment for purchase of treasury stock	(0)	(0)
Net cash provided by (used in) financing activities	**1,747**	**8,848**
Effect of exchange rate changes on cash and cash equivalents	**441**	265
Net increase (decrease) in cash and cash equivalents	354	17,768
Cash and cash equivalents at beginning of period	74,150	56,381
Cash and cash equivalents at end of period	**74,504**	74,150

(5) Notes Regarding Consolidated Financial Statements

(Notes Regarding the Premise of the Company as a Going Concern)

There are no relevant items.

(Significant Items Fundamental to the Preparation of Consolidated Financial Statements)

• Matters relating to the scope of consolidation

Leopalace21 (Shanghai) Property Management Co., Ltd., Leopalace21(Cambodia) Co.,Ltd., Leopalace21 Real Estate (Cambodia) Co., Ltd. and Leopalace Energy Corporation were established in the consolidated fiscal year under review, and have been included in the scope of consolidation.

Morizou Co., Ltd. and WING MATE CO., LTD., whose shares were acquired in the consolidated fiscal year under review, have also been included in the scope of consolidation.

Moreover, as a result of the absorption-type merger that took place in the consolidated fiscal year under review, in which WING MATE CO., LTD. became a surviving company and Leopalace Travel Co., Ltd. became an extinct company, Leopalace Travel Co., Ltd. has been excluded from the scope of consolidation.

・Matters relating to the application of the equity method

LIXIL Renewal Corporation has been excluded from the scope of the application of the equity method because its shares were sold in the consolidated fiscal year under review.

・Matters relating to business year of consolidated subsidiary

The settlement date of Leopalace21 (Shanghai) Property Management Co., Ltd., Leopalace21 (Cambodia) Co., Ltd., Leopalace21 Real Estate (Cambodia) Co., Ltd. and WING MATE CO., LTD. is December 31. In preparing the consolidated financial statements, the financial statements as of December 31 have been used. However, adjustments necessary for preparing the consolidated financial statements have been made to the important transactions that took place between December 31 and the consolidated settlement date.

The settlement date of Morizou Co., Ltd. is September 30. In preparing the consolidated financial statements, its financial statements based on a provisional settlement as of the consolidated settlement date in accordance with the actual settlement have been used.

・Matters relating to accounting standards

Amortization method and period of goodwill

The Company has adopted a policy whereby goodwill is amortized on a straight-line basis over the period in which the economic benefits are expected to be realized. However, if the amount is negligible, it is amortized at once when it takes place.

The disclosure of matters other than the above is omitted, as there are no significant changes from the statement in the most recent annual securities report (submitted on June 27, 2014).

(Changes in Accounting Policies)

(Application of accounting policies related to retirement benefits)

The Company has applied section 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and section 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March26, 2015) since the consolidated first quarter accounting period. The calculation methods of the retirement benefit obligations and service costs have been revised, and the attribution method for the projected retirement benefits has been changed from the service period basis to the projected benefit method. In addition, the method of determining the discount rates has been changed from a method utilizing the discount rate based on an approximation of the average remaining years of service of employees to a method utilizing multiple discount rates corresponding to each payment possibility period of retirement benefits.

In accordance with the transitional measures stated in section 37 of the Accounting Standard for Retirement Benefits, the affected amounts due to changes in the calculation method of retirement benefit obligations and service costs are included in retained earnings as of the beginning of the consolidated accounting period under review.

As a result, retirement benefit liability has decreased by ¥1,708 million and retained earnings have increased by the same amount as of the beginning of the accounting period under review. The effect on operating income,recurring income and income before taxes and minority interests is insignificant.

(Business Combination, etc.)
i Business Combination through Acquisitions

(Stock Acquisition of WING MATE CO., LTD.)

1. Outline of the business combination

(1) Name of the acquired company and its business activities

Name of the acquired company: WING MATE CO., LTD.
Business activities: Travel business

(2) Major reasons for the business combination

WING MATE CO., LTD. is a travel agency that provides services of overseas business trip arrangements and business travel management for corporations. It does business with more than 1,300 corporations, including government and municipal offices. On the other hand, in the Leasing business section of Leopalace21, more than 50% of the tenants are corporate tenants and services related to rental housing is provided to approximately 45,000 corporations in Japan.

By adding WING MATE CO., LTD. as a group company, Leopalace21 has started overseas business trip arrangements and business travel management as one of our new services. In addition, Leopalace21 aims to obtain the opportunity of providing rental houses to the corporate customers of WING MATE CO., LTD.

(3) Effective date of the business combination

October 31, 2014

(4) Legal structure of the business combination

Stock acquisition

(5) Name of the company subsequent to the business combination

No change

(6) Percentage of voting rights acquired by Leopalace21

100%

(7) Primary basis for determining the acquirer

Due to the fact that Leopalace21 has acquired WING MATE CO., LTD. through stock acquisition with cash considerations.

2. Period of business performances of the acquired company to be included in the Consolidated Statements of Operations in the subject cumulative quarter

Since the deemed acquisition date is set as December 31, 2014, the business performances of the acquired company is not included in the Consolidated Statement of Operation of the subject cumulative third quarter period.

3. Acquisition cost of the acquired company and its details

Consideration for the acquisition	The market value of the common stock of WING MATE CO., LTD. on the business combination date	¥65 million
Direct costs required for acquisition	Advisory costs, etc.	16
Acquisition cost		81

4. Amount, source, method and period of goodwill amortization

(1) Amount of goodwill

¥3 million

Since the allotment of the acquisition cost is not complete, a provisional accounting process has been conducted based on available and rational information.

(2) Source of goodwill

Due to the acquisition cost exceeding the market value of net assets on acquisition date.

(3) Method and period of goodwill amortization

One-time amortization

(Stock Acquisition of Morizou Co., Ltd.)

1. Outline of the business combination

(1) Name of acquired company and its business activities

Name of acquired company: Morizou Co., Ltd.

Business activities: Design, construction and management of custom-built homes

(2) Major reasons for the business combination

Morizou Co., Ltd. is engaged in the design, construction and management of custom-built detached houses in the Kanto and Chubu regions. On the other hand, in its construction business, the Company subcontracts the construction of custom-built detached houses, including the homes of approximately 26,000 landowners nationwide.

The Company established a business alliance with Morizou Co., Ltd. in April 2014, and has been providing jointly developed products since then. The business combination is designed to aim to achieve the further advancement of the two companies by further strengthening the collaboration with the Leopalace Group.

(3) Effective date of the business combination

March 30, 2015

(4) Legal structure of the business combination

Stock acquisition

(5) Name of the company subsequent to the business combination

No change

(6) Percentage of voting rights acquired by Leopalace21

88.2%

(7) Primary basis for determining the acquirer

Due to the fact that Leopalace21 has acquired Morizou Co., Ltd. through stock acquisition with cash considerations.

2. Period of business performances of the acquired company to be included in the Consolidated Statements of Operations in the consolidated accounting period under review.

Since the deemed acquisition date is set as March 31, 2015, the business performance of the acquired company is not included in the Consolidated Statement of Operation for the consolidated accounting period under review.

3. Acquisition cost of the acquired company and its details

Consideration for the acquisition	The market value of the common stock of Morizou Co., Ltd.	¥1,676 million
Direct costs required for acquisition	Advisory costs, etc.	8
Acquisition cost		1,685

4. Amount, source, method and period of goodwill amortization

(1) Amount of goodwill

¥1,684 million

Since the allotment of the acquisition cost is not complete, a provisional accounting process has been conducted based on available and rational information.

(2) Source of goodwill

Due to a reasonable estimation of future excess earning power, which is expected by the future business development.

(3) Method and period of goodwill amortization

Amortization on a straight-line basis over ten years

(Segment Information)

Fiscal Year ended March 31, 2014 (April 1, 2013 through March 31, 2014)

(Million yen)

	Reportable Segment					Others (Note 1)	Total	Adjustments (Note 2)	Consolidated Total (Note 3)
	Leasing Business	Construction Business	Elderly Care Business	Hotels & Resort Business	Segment Total				
Net sales									
(1) Sales to customers	388,768	63,135	10,171	7,571	469,647	1,442	471,089	—	471,089
(2) Inter-segment sales and transfers	592	6,684	—	2,505	9,782	106	9,889	(9,889)	-
total	389,360	69,820	10,171	10,077	479,430	1,548	480,978	(9,889)	471,089
Segment earnings (or loss)	15,567	2,954	(610)	(1,118)	16,792	137	16,929	(3,256)	13,673
Segment assets	98,315	16,121	2,371	50,710	167,519	10,662	178,181	109,277	287,459
Other items									
Depreciation	2,578	175	40	1,857	4,652	157	4,809	1,184	5,993
Increase in property, plant and equipment, and intangible assets	4,698	52	37	437	5,225	6,785	12,011	2,703	14,714

Fiscal Year ended March 31, 2015 (April 1, 2014 through March 31, 2015)

(Million yen)

	Reportable Segment					Others (Note 1)	Total	Adjustments (Note 2)	Consolidated Total (Note 3)
	Leasing Business	Construction Business	Elderly Care Business	Hotels & Resort Business	Segment Total				
Net sales									
(1) Sales to customers	399,316	61,312	10,608	8,951	480,188	2,999	483,188	—	483,188
(2) Inter-segment sales and transfers	790	12,065	—	2,827	15,682	127	15,810	(15,810)	—
total	400,107	73,378	10,608	11,778	495,871	3,127	498,999	(15,810)	483,188
Segment earnings (or loss)	20,532	210	(606)	(1,289)	18,848	31	18,879	(4,116)	14,763
Segment assets	98,861	19,895	2,428	50,367	171,554	21,481	193,035	115,239	308,274
Other items									
Depreciation	2,992	170	24	1,872	5,060	1,330	6,390	1,345	7,736
Increase in property, plant and equipment, and intangible assets	5,551	73	21	1,017	6,663	12,180	18,844	5,514	24,358

Note 1: "Others" classification consists of the business segment not included in reportable segments, and comprises such businesses as the small-claims and short-term insurance business, solar power generation business and financing businesses.

Note 2: Breakdown of adjustments is as follows.

Segment earnings (or loss) (Million yen)

	FY ended March 31, 2014	FY ended March 31, 2015
Inter-segment eliminations	(641)	(1,346)
Corporate expenses*	(2,614)	(2,769)
Total	(3,256)	(4,116)

*Corporate expenses consist mainly of general administrative expenses for administrative departments that are not part of reportable segments.

Segment assets (Million yen)

	FY ended March 31, 2014	FY ended March 31, 2015
Surplus operating funds, Long-term investment capital, and Assets which do not belong to reportable segments	109,277	115,2

Increase in property, plant and equipment, and intangible assets (Million yen)

	FY ended March 31, 2014	FY ended March 31, 2015
Capital investments which do not belong to reportable segments	2,703	2,703

Note 3: Segment profit (loss) is adjusted to the operating profit on the Consolidated Statements of Operations