Consolidated Financial Results for the Fiscal Year Ended March 31, 2015 (Japanese Accounting Standards)

May 13, 2015

Company Name:	Accordia Golf Co., Ltd.	Listing Exchanges: First section of the Tokyo Stock Exchange	
Securities Code:	2131	URL: http://www.accordiagolf.co.jp/english/	
Representative:	(Title) President & CEO		(Name) Ryusuke Kamata
For Inquiries, Contact:	(Title) Member of the Board and Managing Executive Officer		(Name) Takabumi Suzuki TEL: (03) 6688-1506

Planned Annual Shareholders' Meeting Date:	June 29, 2015
Planned Starting Date for Dividend Payments:	June 30, 2015
Planned Date for Submission of Annual Securities Report:	June 29, 2015
Supplementary documents for financial results:	Yes
Financial results briefing:	Yes (for analysts and institutional investors)

(Rounded down to nearest million yen)

1. Consolidated Performance for the Fiscal Year Ended March 31, 2015 (April 1, 2014-March 31, 2015)

(1) Consolidated Operating Performance (% indicates year-on-year change)

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
	Yen millions	%	Yen millions	%	Yen millions	%	Yen millions	%
FY 3/2015	63,908	(30.5)	7,330	(40.1)	3,536	(65.7)	6,015	30.3
FY 3/2014	91,983	1.2	12,246	(7.9)	10,318	(7.4)	4,617	(23.4)

(Note) Comprehensive Income FY 3/2015: 5,949 million yen (28.7%) FY 3/2014: 4,623 million yen (-23.3%)

	Net Income per Share	Fully-Diluted Net Income per Share	Net Income / Shareholders' Equity	Ordinary Income / Total Assets	Operating Margin
	Yen	Yen	%	%	%
FY 3/2015	71.62	–	8.7	1.7	11.5
FY 3/2014	44.98	–	5.0	3.9	13.3

Reference: Investment Profit/Loss from Equity Method Affiliates FY 3/2015: -1,162 million yen FY 3/2014: -3 million yen

(Note) Fully-diluted net income per share for the fiscal year ended March 31, 2014 is not presented as there were no potential shares. Fully-diluted net income per share for the fiscal year ended March 31, 2015 is not presented as there are no dilutive potential shares.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Yen millions	Yen millions	%	Yen
FY 3/2015	157,775	47,162	29.7	665.24
FY 3/2014	262,961	92,202	35.0	896.93

Reference: Shareholders' Equity FY 3/2015: 46,902 million yen FY 3/2014: 92,068 million yen

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	End-of-year Balance for Cash and Equivalents
	Yen millions	Yen millions	Yen millions	Yen millions
FY 3/2015	(4,727)	83,968	(80,349)	3,485
FY 3/2014	11,557	(5,012)	(7,773)	4,594

2. Dividends

	Dividends per Share					Total Dividends (Annual)	Dividend Payout (Consol.)	Dividends / Net Assets (Consol.)
(Record Date)	End of Q1	End of Q2	End of Q3	Fiscal Year End	Annual			
	Yen	Yen	Yen	Yen	Yen	Yen millions	%	%
FY 3/2014	–	0.00	–	56.00	56.00	5,748	124.5	6.2
FY 3/2015	–	5.00	–	36.00	41.00	2,890	48.1	6.1
FY 3/2016 (Forecast)	–	0.00	–	36.00	36.00		61.9	

3. Forecasts for Consolidated Performance for the Fiscal Year Ending March 31, 2016 (April 1, 2015-March 31, 2016)

(% indicates year-on-year change)

	Operating Revenues		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income per Share
	Yen millions	%	Yen millions	%	Yen millions	%	Yen millions	%	Yen
Interim	24,800	(40.0)	3,500	(28.1)	3,100	320.1	2,500	(31.7)	35.46
Full Year	47,800	(25.2)	7,400	1.0	6,900	95.1	4,100	(31.8)	58.15

* Notes

(1) Changes in significant subsidiaries during the fiscal year ended March 31, 2015 (changes in subsidiaries via share exchange causing a change in the scope of consolidation): YES

New: -- company (company name:)

Eliminated: 2 companies (company names: Accordia Asset Holding 11 Co., Ltd., Accordia Asset Holding 12 Co., Ltd.)

(2) Changes in accounting policies and changes or restatement of accounting estimates

(i)	Changes in accounting policies associated with the revision of accounting standards, etc.:	NO
(ii)	Changes in accounting policies other than (i):	NO
(iii)	Changes in accounting estimates:	NO
(iv)	Restatement:	NO

(3) Number of shares issued (common shares)

(i) Shares Outstanding (incl. treasury shares):	End of FY 3/2015	84,739,000 shares
	End of FY 3/2014	105,398,700 shares
(ii) Treasury Shares:	End of FY 3/2015	14,234,378 shares
	End of FY 3/2014	2,751,000 shares
(iii) Average Number of Shares Outstanding	End of FY 3/2015	83,978,303 shares
	End of FY 3/2014	102,647,700 shares

(Note) The Company acquired 32,142,900 treasury shares through tender offer based on the resolution of a meeting of the Board of Directors, which was held on August 4, 2014. The Company cancelled 20,659,700 treasury shares at the meeting of the Board of Directors, which was held on November 10, 2014, based on the provision of Article 178 of the Companies Act. Chiefly due to these reasons, the total number of outstanding shares at the end of the fiscal year under review decreased 20,659,700 shares to 84,739,000 shares, and the total number of treasury shares at the end of the fiscal year under review increased 11,483,378 shares to 14,234,378 shares.

Reference: Overview of Non-Consolidated Performance

1. Non-Consolidated Performance for the Fiscal Year Ended March 31, 2015 (April 1, 2014-March 31, 2015)

(1) Non-Consolidated Operating Performance (% indicates year-on-year change)

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
	Yen millions	%	Yen millions	%	Yen millions	%	Yen millions	%
FY 3/2015	8,291	11.3	1,269	(55.9)	42,471	–	56,144	–
FY 3/2014	7,451	(2.4)	2,876	(4.1)	1,765	(84.7)	818	(92.0)

	Net Income per Share	Fully-Diluted Net Income per Share
	Yen	Yen
FY 3/2015	668.56	–
FY 3/2014	7.97	–

(Note) Fully-diluted net income per share for the fiscal year ended March 31, 2014 is not presented as there were no potential shares. Fully-diluted net income per share for the fiscal year ended March 31, 2015 is not presented as there are no dilutive potential shares.

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Yen millions	Yen millions	%	Yen
FY 3/2015	146,355	46,564	31.7	658.45
FY 3/2014	174,115	41,380	23.8	403.12

Reference: Shareholders' Equity FY 3/2015: 46,423 million yen FY 3/2014: 41,380 million yen

2. Forecasts for Non-Consolidated Performance for the Fiscal Year Ending March 31, 2016 (April 1, 2015-March 31, 2016)

(% indicates year-on-year change)

	Operating Revenues		Ordinary Income		Net Income		Net Income per Share
	Yen millions	%	Yen millions	%	Yen millions	%	Yen
Full Year	9,700	17.0	900	(97.9)	500	(99.1)	7.09

* Presentation of the implementation status of audit procedures

These consolidated financial results are not subject to audit procedures under the Financial Instruments and Exchange Act, and the audit procedures of financial statements under the Financial Instruments and Exchange Act are not completed at the time of disclosing these consolidated financial results.

* Explanation about the proper use of financial forecasts and other important notes

Although performance forecasts and other forward-looking statements in this document are based on information currently available to the Company and certain assumptions that are believed to be reasonable, actual results may differ significantly from such statements due to a variety of factors. For assumptions underlying the performance forecasts and points of caution in using the forecasts, see "Analysis of Operating Performance" on page 1 of the Accompanying Materials.

The Company plans to hold a financial results briefing for institutional investors and analysts on Thursday, May 14, 2015. The documents handed out at the briefing, the streaming video, main Q&A and other relevant materials will be posted on the Company's website soon after the briefing.

In addition to the above briefing, the Company holds briefings on business operations and results for individual investors as required. Please refer to the Company's website for details regarding the timing of these briefings.

1. Analysis of Operating Performance and Financial Position

(1) Analysis of Operating Performance

During the fiscal year under review, the Japanese economy underwent a sustained recovery at a moderate pace on the back of the monetary easing policies and economic stimulus measures known as “Abenomics.” However, it started to see uncertain factors arising, such as the reaction to the last-minute demand ahead of the consumption tax hike as well as an increase in the cost of imported raw materials amid the depreciating value of the yen.

In the golf industry, in which the Accordia Golf group operates, the demand for golfing remained generally stable mainly from the strong demand from baby boomers against a backdrop of greater expectations for an economic recovery. However, the number of visitors remained at the same level as the previous year due to a decrease in the number of operating days resulting from typhoons and torrential downpours.

In these circumstances, the Accordia Golf group, while taking steps to increase the number of visitors to facilities operated, pursued the basic strategies adopted in the new Medium-Term Management Plan (Accordia Vision 2017), whose final year is fiscal year 2017 (“creation of capital gains based on a circulating business model” and “creation of stable cash flows from expanded outsourced management business”), and implemented the following management policies.

Implementation of the business trust-based asset-light strategy and the repurchase of the Company’s own shares

The Company carried out transactions pertaining to the business trust-based asset-light strategy on August 1, 2014 to address the issues of its business management, including an improvement in asset efficiency. As a result, investment securities (units), which are issued by Accordia Golf Trust (hereinafter, “AG Trust”) or a business trust formed in Singapore, were listed on Singapore Exchange Securities Trading Limited on the same day.

Due to the business trust-based asset-light strategy, the Company also received repayments totaling approximately 113.2 billion yen (the Company offset approximately 25.3 billion yen pertaining to its stake in the business trust’s units (28.85% of all stakes issued), which was therefore not included in the repayments), for the consideration for transferring the operation of 90 golf courses (including the associated facilities) as well as existing loans receivable.

The Company also conducted a tender offer for its own shares for the period from August 5, 2014 to September 1, 2014 to improve its operating performance, such as improving capital efficiency and the return on equity. Settlements of the tender offer were completed on September 29, 2014 with the receipt of a portion of capital received through the business trust-based asset-light measures.

As a result of these initiatives, the return on equity, which the Group regards as an important management indicator, improved from the end of the fiscal year ended March 31, 2014, to 8.7% (net income/average of beginning and ending shareholders’ equity).

The Company will continue to make intensive preparations for additional asset-light strategies for golf courses with confirmed stable profitability by improving their revenues.

Golf Course Management Business

In addition to stepping up its efforts to offer customers valuable products and services at reasonable prices, as a result of measures taken to attract customers through the establishment of a golf course brand and an original points program and coordination with directly managed and affiliated driving ranges, the number of visitors to the Group’s golf courses (owned or managed under contract by the Group) totaled 8.11 million (an increase of 260,000 compared to the same period last year) for the fiscal year under review.

Acquisition of Golf Courses and Optimization of Golf Course Portfolio

Based on the golf course portfolio strategy of consolidating superior golf courses around major metropolitan areas and enhancing the Group’s revenue base, which the Company has now pursued for several years, the Group proceeded with its screening for the acquisition of superior golf courses, and acquired one golf course in Kyoto Prefecture. At the end of the fiscal year under review, the Group operated 137 golf courses (44 courses owned by the Group and 93 courses managed under contract for operations).

On top of the golf courses above, the Group has entered into a sponsorship agreement for one golf course in Chiba Prefecture.

Driving Range Operation Business

While the number of domestic driving ranges continued to decrease, each directly managed driving range worked to improve services by providing a complete training environment with an aim to become the top driving range in each area against a backdrop of strong golfing demand. In addition, the Group enhanced synergies with its golf courses by actively expanding school operations and holding golf competitions organized by the driving ranges. Directly managed and affiliated driving ranges sent about 7.2% of the total number of visitors to the Group's golf courses, and coordination with the directly managed and affiliated driving ranges was steadily strengthened.
As a result of these initiatives, the Group operated 25 driving ranges as of the end of the fiscal year under review.

Consequently, the Group recorded operating revenue of 63,908,868,000 yen, a decrease of 28,074,283,000 yen, or 30.5% year on year, during the fiscal year under review. The decrease reflected the transfer of 90 golf courses out of 133 golf courses owned by the Group as a result of the implementation of the business trust-based asset-light strategy.
Operating income decreased 4,915,615,000 yen, or 40.1% year on year, to 7,330,897,000 yen. The decline reflected the effect of the above fall in operating revenue and the generation of expenses for implementing the business trust-based asset-light strategy, despite a decline in operating expenses due to the sale of the operation business of 90 golf courses and the Group-wide efforts to reduce costs.
Ordinary income decreased 6,781,593,000 yen, or 65.7% year on year, to 3,536,959,000 yen, due to an increase of 300,750,000 yen in syndicated loan fees due to new loans payable and 1,159,343,000 yen in investment losses on equity method. This was because AG Trust, formed in Singapore, was included in the consolidated results according to the equity methods, in addition to other factors.
Net income increased 1,398,036,000 yen, or 30.3% year on year, to 6,015,212,000 yen, mainly due to a 527,531,000 yen gain on bargain purchase associated with the acquisition of subsidiaries' shares, the gain on sales of shares of subsidiaries and associates of 6,180,783,000 yen, which was generated as the Company transferred its stake in the silent partnership obtained through the in-kind contribution of the shares of its subsidiary, which owns 90 golf courses covered by AG Assets as a silent partnership contribution.

Forecasts for the Fiscal Year Ending March 31, 2016

The Group's growth policy is based on an external growth strategy using the circular business model in which the Group acquires golf courses and sells them to AG Trust after adding value, and then increases income from contracted golf course operations. Based on this growth policy, the Group proceeded with intensive preparations for additional asset-light measures for golf courses and the acquisition of new golf courses in the new Medium-Term Management Plan, the final year of which is the fiscal year ending March 31, 2016.
Meanwhile, with respect to the forecasts for the consolidated fiscal year ending March 31, 2016 at the present time, the Group expects operating revenue of 47,800 million yen, EBITDA of 11,500 million yen (Note), operating income of 7,400 million yen, ordinary income of 6,900 million yen, and profit attributable to the owners of the parent of 4,100 million yen, hardly factoring in the additional sale of golf course assets and the acquisition of new golf courses.
If any golf course asset is sold during the period, the Company will immediately announce it as necessary, taking into consideration its impact on the operating results.

(Note) Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is calculated as the sum of operating income, depreciation expense, and goodwill amortization expenses.

(2) Analyses relating to Financial Position

1) Analysis of Financial Position

(i) Total Assets

Total assets at the end of consolidated fiscal year under review decreased 105,185,955,000 yen from the end of the previous fiscal year, to 157,775,347,000 yen. Major factors behind the decrease were decreases of 2,874,334,000 yen in accrued revenues, 118,477,159,000 yen in total tangible fixed assets, and 14,230,708,000 yen in total intangible fixed assets, mainly as a result of the sale of 90 golf courses associated with the implementation of asset-light measures, despite an increase of 21,607,211,000 yen in investment securities as a result of the Group's acquisition of a unit of AG Trust that was listed on the stock exchange in Singapore.

(ii) Total Liabilities

Total liabilities at the end of consolidated fiscal year under review decreased 60,145,890,000 yen from the end of the previous fiscal year, to 110,612,792,000 yen. Major factors behind the decrease were a decline of 15,000,000,000 yen in the current portion of bonds due to reach maturity, decreases of 12,204,000,000 yen in short-term loans payable and 7,684,878,000 yen in long-term loans payable due to repayments, decreases of 2,332,501,000 yen in corporate taxes, etc. payable, 3,436,487,000 yen in revenues received in advance and 15,324,841,000 yen in membership deposits mainly as a result of the sale of 90 golf courses associated with the implementation of asset-light measures, and a decline of 9,271,393,000 yen in deferred tax liabilities.

(iii) Net Assets

The balance of net assets at the end of the consolidated fiscal year under review decreased 45,040,065,000 yen from the end of the previous fiscal year, to 47,162,554,000 yen. This chiefly reflects a decline of 45,000,287,000 yen due to a fall of 6,100,794,000 yen attributable to the payment of dividends from retained earnings and a decrease of 45,000,287,000 yen owning to the acquisition of the Company's own shares through a tender offer, despite an increase of 6,015,212,000 yen in retained earnings due to net income.

(iv) Cash Flows

Cash and cash equivalents (hereinafter "cash") at the end of the consolidated fiscal year under review decreased 16,285,275,000 yen due to operating activities, increased 88,980,627,000 yen due to investing activities, and decreased 72,576,451,000 yen due to financing activities. As a result, the balance of cash as of the end of the consolidated fiscal year under review decreased 1,109,796,000 yen, or 24.2% from the end of the previous fiscal year, to 3,485,043,000 yen.

Cash flows from operating, investing, and financing activities are detailed below.

Cash Flows from Operating Activities

Cash used in operating activities during the fiscal year under review stood at 4,727,894,000 yen, showing a decrease of 16,285,275,000 yen, or 140.9% from the previous year, when cash provided by operating activities was 11,557,380,000 yen. Major factors for the cash used were a 6,180,783,000 yen gain on sales of shares of subsidiaries and affiliates due to the sale of shares in subsidiaries associated with the implementation of asset-light measures, and an increase of 9,736,871,000 yen in income taxes paid, despite 1,162,628,000 yen generated in the share of the loss of entities accounted for using the equity method, which was not recorded in the previous fiscal year.

Cash Flows from Investing Activities

Cash provided by investing activities during the fiscal year under review stood at 83,968,094,000 yen, showing an increase of 88,980,627,000 yen, or 1,775.2% from the previous year, when cash used in investing activities was 5,012,532,000 yen. Major factors for the increase were a decline of 1,973,537,000 yen in the purchase of property, plant and equipment and an increase of 86,707,995,000 yen in proceeds from sales of shares of subsidiaries associated with the change in the scope of consolidation due to the implementation of asset-light measures.

Cash Flows from Financing Activities

Cash used in financing activities during the fiscal year under review increased 72,576,451,000 yen, or 933.6%, to 80,349,996,000 yen compared to the previous fiscal year. Major factors for the increase were a decrease of 17,403,689,000 yen in the net increase in short-term loans payable, mainly due to refinancing associated with the implementation of asset-light measures, an increase of 6,662,454,000 yen in the sum of proceeds from long-term loans payable and repayments of long-term loans payable, and the generation of the purchase of treasury shares of 45,000,287,000 yen as a result of the acquisition of the Company's own shares.

2) Analysis of Sources of Capital and Capital Liquidity

To secure capital for smooth business operation, to maintain liquidity and for the maintenance and enhancement of a healthy financial position, the Group focuses on creating stable operating cash flows and securing various fundraising methods. Funds for capital expenditures and golf course acquisitions that support the Group's growth are raised through borrowings from financial institutions and corporate bond issuances in addition to cash flows from operating activities.

With respect to liquidity on hand, the Group generally aims to maintain a half to one month's worth of consolidated operating revenues in cash and deposits to secure funds for smooth business operations and to prepare for sudden capital needs.

Trends in cash flow-related indicators are as follows.

Trends in Cash Flow-related Indicators

	Fiscal Year ended March 31, 2012	Fiscal Year ended March 31, 2013	Fiscal Year ended March 31, 2014	Fiscal Year ended March 31, 2015
Shareholders' Equity Ratio	34.8%	35.1%	35.0%	29.7%
Shareholders' Equity Ratio (Market Value)	26.1%	34.4%	45.3%	51.5%
Interest-Bearing Debt / Cash Flow Ratio	7.1x	7.6x	9.3x	16.9x
Interest Coverage Ratio	8.9x	10.1x	7.4x	3.4x

Notes: 1. Shareholders' Equity Ratio: Shareholders' Equity / Total Assets
Shareholders' Equity Ratio (Market Value): Market Capitalization / Total Assets
Interest-Bearing Debt / Cash Flow Ratio: Interest-Bearing Debt / Cash Flow
Interest Coverage Ratio: Cash Flow / Interest Payments
2. All figures are calculated from the consolidated financial statements.
3. Market capitalization was calculated based on the number of issued shares excluding treasury shares.
4. Cash flows from operating activities are used for cash flows.
5. Interest-bearing debt indicates all debts recorded on the consolidated balance sheet for which interest was paid.

(i) Interest-Bearing Debt

The balance of interest-bearing debt (corporate bonds, borrowings, commercial paper and lease obligations) as of the end of the consolidated fiscal year under review decreased 27,990,466,000 yen year on year, to 79,796,163,000 yen. The methods of fund-raising include indirect financing by financial institutions and lease transactions, etc. Going forward, the Group will continue to explore diverse fundraising methods to support its business activities, with a focus on raising capital in a low-cost, stable and flexible manner.

(ii) Credit Ratings

To secure a wide range of fundraising methods, the Group believes it necessary to maintain an acceptable credit rating. The Group has received a BBB credit rating with a negative outlook as a long-term issuer, and J-2 for its commercial paper from Japan Credit Rating Agency, Ltd.

The Group will continue to pursue higher credit ratings in the future by increasing revenues and solidifying its financial position through its business activities.

(C) Liquidity on Hand

Liquidity on hand as of the end of the consolidated fiscal year ended March 31, 2015 was 3,485,043,000 yen, and is believed to be at an adequate level as the figure is equivalent to 0.7 months' worth of consolidated operating revenues.

(3) Basic Dividend Policy and Dividends for the Fiscal Year Ended March 2015 and the Fiscal Year Ending March 2016

The Company sets a target for its base dividends at a dividend payout ratio of 45% of pro forma consolidated net income (this refers to the amount obtained by deducting extraordinary income/loss from consolidated net income and adjusting for corporate and other taxes associated with the extraordinary income/loss) based on income from the operation of golf courses and income from contracted golf course operations. In addition, when selling golf courses after improving their profitability, the Company also sets a target of 90% for the total return ratio by working to return profits to shareholders in such a way as purchasing its own shares and paying commemorative dividends using some of the extraordinary income and surplus cash flows. Based on this policy, the Company plans to set annual dividends of 41 yen per share, including commemorative dividends (interim dividends) of 5 yen per share for the implementation of asset-light measures conducted by the Company, by proposing year-end dividends of 36 yen per share from retained earnings whose record date belongs to the fiscal year under review (ended on March 31, 2015), as an agenda item to the Annual Shareholders' Meeting scheduled to be held on June 29, 2015.

With respect to the projected dividends for the fiscal year ending March 31, 2016, the Company intends to pay dividends of 36 yen per share, taking into consideration the dividend level calculated from 45% of pro forma consolidated net income based on the results forecasts for the next fiscal year. Please note that the Company's Articles of Incorporation allow for the payment of interim dividends as set forth in item 5, Article 454 of the Companies Act. Interim dividends are an item for resolution by the board of directors, while shareholder resolutions are required for year-end dividends.

(4) Operational and Other Risks

Items that may have a significant impact on the Group's operating performance, financial position or other aspects include the following.

Note that forward-looking statements included herein are based on judgments of the Group as of May 13, 2015.

1) Changes to the Group's business and financial structure

On August 1, 2014, the Company implemented a Business Trust-based Asset-light Strategy and financing via loan with stock acquisition rights out of proposed measures which included a Business Trust-based Asset-light Strategy, financing via loan with stock acquisition rights and a tender offer for its own shares (hereinafter collectively the "Proposed Measures"). It also conducted a tender offer for its own shares with a tender offer period from August 5, 2014 to September 1, 2014, and completed settlement on September 29, 2014. At this point in time, the Company mainly sees the existence of the following risks after implementation of the Measures.

(i) Structural changes to the business

The Proposed Measures were implemented, 90 golf courses (hereinafter the "Initial BT Golf Courses") out of the total of 133 golf courses held by the Group were transferred to the Accordia Golf Asset Godo Gaisha (hereinafter the "AG Asset"), and became off-balance-sheet items, while the Company executed a Golf Course Management Agreement with the AG Asset and undertook management of the Initial BT Golf Courses. The Company believes that it would be able to achieve asset efficiency of the Company and actualize the value of the Company's golf course management business by ocusing on the golf course management business after separating the existing business into the golf course management business and the asset-holding business. That said, on the other hand, after implementation of the Proposed Measures, we would not be able to enjoy the economic benefits associated with the asset-holding business, such as compensation from using real estate or the increase in the property value. Further, based on conditions such as the market environment, there is a risk of not being able to obtain profits from focusing on the golf course management business that we plan based on the Business Trust-based Asset-light Strategy.

In addition, after implementing the Proposed Measures, the Company intends to continue to hold more than 25% of units of the Accordia Golf Trust (hereinafter the "AG Trust") business trust based on the Business

Trusts Act of Singapore that were listed on the Singapore Exchange. Thus, holding these said units would differ from holding domestic golf course assets and would be exposed to risks, such as those related to price fluctuations and foreign exchange rates.

(ii) Circulating business

After implementing the Business Trust-based Asset-light Strategy, the Company plans to expand into acirculating business, under which the Company will improve and stabilize the profitability of golf courses that the Group holds, excluding the Initial BT Golf Courses, and golf courses that are to be newly acquired by raising their value through the Company’s operational expertise on managing golf courses, after which we would sell these golf courses mainly to the AG Asset and proactively acquire new golf courses.

As a result, we would be able to aim at obtaining profits on sales of golf courses to the AG Asset as well as maintain receipt of compensation for operating the golf courses which we sell to the AG Asset by undertaking the operation of the golf course. We will aim for a business model that focuses on commissioned business by expanding this circulating business.

However, there is a possibility that the Company will not be able to secure growth or profitability through our planned circulating business as a result of not being able to sell golf courses at our planned yields due to inability to achieve the expected increase of the value of golf courses owned by the Group except for the Initial BT Golf Courses, that the Company will not be able to make the expected new acquisitions of golf courses and other properties due to factors including the M&A market for golf courses, or that the AG Trust will face difficulties in procuring funds due to factors including the market environment, resulting in the inability of golf courses and other properties to be transferred from the Company to the BT.

(iii) Profit dependency on the AG Asset

Through the implementation of the Proposed Measures, the Company plans to receive compensation from the AG Asset as payment for being commissioned to operate golf courses. As noted above, the material portion of our profits would also depend on the AG Asset immediately after the implementation of the Proposed Measures.

Also, if the transfer of golf courses to the AG Asset is to continue after the Proposed Measures are implemented, the Company’s dependency on the AG Asset would be greater. As a result, there may be an adverse effect on the results of operations and other aspects being severely impacted if the Company’s relationship with ACCORDIA GOLF TRUST MANAGEMENT PTE. LTD as the Trustee-Manager of the Accordia Golf Trust (hereinafter the “Trustee Manager”), the AG Trust or the AG Asset deteriorates or if the Golf Course Management Agreement is disadvantageous to us or if the contract ends due to refusal to renew, cancellation, termination or otherwise.

(iv) Agreement, etc. with the AG Asset or the Trustee-Manager

Upon transfer of golf courses to the AG Asset, the Company presented to the AG Asset or the Trustee-Manager some representations and warranties regarding the subsidiaries owning the Initial BT Golf Courses or the Initial BT Golf Courses. If there is a violation of the said representation and warranty after the transfer of the Initial BT Golf Courses, the Company may be obligated to indemnify or buy back the Initial BT Golf Courses.

Also, after the transfer of the Initial BT Golf Courses, the Company granted the AG Asset as well as the Trustee-Manager the right of first refusal on golf courses and other properties which the Company plans to newly acquire for cases in which the Company might try to acquire the golf courses and other properties, along with granting them the right to initiate discussion and the right of first refusal regarding the sale of golf courses and other properties other thanthe Initial BT Golf Courses by the Company. As a result, there is a possibility that the acquisition of new golf courses and other properties or a flexible approach to the Company’s asset sales to entities other than the AG Asset for the purpose of conducting the planned circulating business by the Company may be impeded. Further, the Company granted the AG Asset and the Trustee Manager the right to acquire golf courses and other properties, which are the golf courses that the

Group holds as of the time of the transfer and are not subject to the Initial BT Golf Courses, from the Group under certain conditions, as well as to assume obligations to sell golf courses held by the Company to third parties in certain circumstances. As a result, there is a possibility that the Company may have no choice but to transfer to the AG Asset or sell to third parties golf courses and other assets, at an undesirable time under undesirable conditions for the Company.

(v) Changes to the financial structure

The Company conducted a tender offer for its own shares (at 1,400 yen purchase price per share; hereinafter the “Tender Offer for the Company’s Own Shares”) amounting to approximately 45.0 billion yen, and completed settlement on September 29, 2014.

Although the Company believed that the Tender Offer for the Company’s Own Shares would lead to an improvement of the Company’s profits per share and capital efficiency, the Tender Offer for the Company’s Own Shares led to a significant decrease of the Company’s own capital. As such, the Group may not be able to procure funds under desirable terms at a necessary time, or the Group’s funding rates could surge, depending on the assessment given on this structural change in finances by financial institutions as well as the capital markets. As a result, there may be an adverse effect on the Group’s future results of operations and financial conditions.

(vi) Other

Risks associated with implementation of the Proposed Measures are not limited to those mentioned above, and there is a possibility that unforeseen risks may emerge that would affect the growth or the continuation of the AG Trust, or the relationship between the Group and the AG Trust, after implementing the Proposed Measures. Among these are the enactment and revisions of the laws and regulations of Japan as well as Singapore, guidelines, tax systems, accounting and other standards. If such circumstances materialize, there is a possibility that the Company’s plans or assumptions after the implementation of the Proposed Measures may change. Further, there is a possibility that the Group may face unforeseen problems or incur unexpected costs in the process of implementing the Proposed Measures. If such circumstances materialize, there may be an adverse effect on the Group’s results of operations and other aspects.

2) Dependence on the Golf Course Management Business

(i) Changes in per-customer revenue

The Group is dependent on its golf course management business for most of its revenues. The golf course management business is positioned within the leisure industry, and is therefore believed to be susceptible to economic trends. In particular, revenue per user has been on a downward trend due to the deflationary trend which has persisted until recently and the lowering of fees per game by competing golf courses to capture visitor numbers. If the economic situation does not improve going forward or if the price competition among golf courses continues or intensifies, this may have an impact on the operating performance of the Group.

(ii) Changes in the number of visitors to golf courses

The aging and declining population as well as the falling birthrate, a structural problem in Japan, is affecting the golf market. As the generation that has traditionally played golf most frequently is aging, it becomes necessary to develop new golfer segments such as the generation in its 20s and 30s, juniors and females. In the first half of 1990s, the number of visitors to golf courses fell with the decline in golfing for corporate entertainment purposes, which had previously been active, weaker economic conditions, and diversified interests in sports and lesiure. Unless the golf market evolves and becomes a mass market, this may have an impact on the operating performance of the Group.

3) Business Expansion through M&A

(i) Acquisition of Golf Courses, Driving Ranges, etc.

The Group has achieved rapid business expansion by positioning the acquisition of mainly failed golf courses as one of the pillars of its management strategy. Although the number of acquisitions involving a management change (based on the number of golf courses) reached 170 courses at its peak in 2005, the main targets of acquisition involving management change have been shifting from companies that own many golf courses to those that own only one or a few courses.

Thanks to the recent turnaround in economic environment associated with the monetary easing and recovery in the real estate market triggered by so-called Abenomics, there is a sign of recovery in the investment climate and also in the M&A market for golf courses.

In view of the recovery in the environment for investing in golf courses, the Group will aim at external growth based on the business model, in which capital efficiency is improved by the Business Trust-based Asset-light Strategy, thereby actively pursuing the acquisition of golf courses, which will be followed by the transfer of the golf courses after the enhancement of their value to the AG Trust and the commissioning of their operations by the AG Asset. To this end, we plan to purchase golf courses at prices the Group considers appropriate, considering the profitability of the individual golf courses of interest.

If the revenue and the revenue ratio from the golf courses purchased as above differ from the revenue and the revenue ratio that were assumed at the time of purchase, there is a possibility that this will affect the operating performance of the Company Group. In addition, although the Group seeks to sell unprofitable golf courses on a timely basis to replace the portfolio from the standpoint of improving profitability, there is no guarantee that a sale will be able to be implemented, or a loss may arise from such a sale, depending on changes in the market for golf courses and price trends.

(ii) Evaluation of Goodwill

The Group amortizes goodwill on a regular basis, and makes judgments on the possibility of realizing such goodwill based on comparisons of future cash flows projected as of the acquisition date with actual cash flows. The Group may record impairment losses on goodwill in the event that actual cash flows fall substantially short of future cash flows projected as of the acquisition date and that the goodwill figure on the balance sheet therefore is deemed excessive.

4) Weather and Seasonality

Golf is an outdoor sport, and is therefore affected by the weather. Specifically, revenue opportunities are lost in the event that advanced reservations are canceled as a result of rain or snowfall on the scheduled play date. Further, long rains during the rainy season and unexpected snowfall may affect the number of days golf courses are in operation. The Group’s revenues are high in the first and third quarters, which are characterized by pleasant spring and autumn weather, while revenues are lower in the second and fourth quarters, which are characterized by the extreme summer and winter temperatures.

5) Natural Disasters, Terrorism and Infectious Diseases

The Company believes that the risks of earthquake, typhoon, tsunami and other natural disasters in a given area on the continuity of the Group’s operations are minimal as the Group’s offices (i.e., golf courses and facilities such as neighboring hotels; including offices for contracted operations) are dispersed throughout Japan, from Hokkaido in the north to Okinawa in the south. However, it is expected that the Group’s offices in some affected areas will be forced to suspend the operation for a certain period if a natural disaster occurs and that interest in golf-playing will decline in the event of a large-scale disaster such as the Great East Japan Earthquake. As a result, the operating performance of the Group may be affected by a temporary fall in the number of visitors to golf courses. Further, the Group’s performance may be similarly impacted by a temporary decrease in visitors in the event of terrorist attacks in Japan or overseas or a pandemic of the new influenza virus or other pathogens without established treatment.

6) Reputation of the Accordia Brand

The Group introduced the brand concept to the golf course/driving range management industry. The Group operates many of its offices under the Accordia brand in its efforts to maintain and enhance its brand images as well as to spread its awareness with the objective of providing standardized, high quality services to increase customer satisfaction. The Company believes that the adoption of various measures to maintain high brand reputation is contributing to its operating performance. On the other hand, a negative brand image resulting from a decrease in the brand's social reputation due to corporate scandals or other events may have a negative impact on the Group's performance.

Aiming for the drastic revision and strengthening of the governance and compliance systems and tightening control over expense settlement procedures, the Group revised its compliance policy (to permanently establish the Special Compliance Committee, strengthen the functions of the Compliance Committee, increase cooperation between corporate bodies, improve reporting to the Board of Directors, and improve the internal whistleblowing system), changed the internal expenditure system focusing on meeting expenses and entertainment expenses (stricter control over the procedure for examining the budget for meeting expenses and entertainment expenses, and the procedure for using meeting expenses and entertainment expenses), and ensured transparency in the system for the collection of opinions from golf course users. However, if these efforts are deemed inadequate, there is a possibility that the Group's reputation and brand image will not recover, thereby having an adverse impact on the operating performance of the Group.

7) Fundraising through Borrowings

On July 8, 2014, the Company concluded a syndicated loan agreement for a total of 32 billion yen (hereinafter the "new AG Loan Agreement") with 13 financial instituions led by Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation and The Bank of Tokyo-Mitsubishi UFJ, Ltd. primarily for the purpose of repaying the Company's existing loans, and funds based on the new AG Agreement of 17 billion yen (Tranche A and Tranche C) were drawn down by August 1, 2014 and the remaining 15 billion yen (Tranche B) was drawn down on August 27, 2014. Many agreements on borrowings from financial instituions besides the new AG agreement contain the following financial covenants and other clauses restricting the Company's business activities. If the Group violated these financial covenants, its obligations could, through notification from the financial instituions, become immediately due and payable.

(i) Maintain the following levels at a minimum for net assets in the consolidated balance sheets or the quarterly balance sheets as of each record date for calculations (means each fiscal year end and last day of each second quarter of the Company) starting from the Septermber 2014 second quarter.
   (a) Maintain at least 75% of the level from the same period of the previous fiscal year and at least 69.2 billion yen when using as the reference period an accounting period prior to the tender offer for the Company's own shares or the second quarter.
   (b) Maintain at least 37.5 billion yen when using as the reference period an accounting period immediately following the tender offer for the Company's own shares or the second quarter.
   (c) Maintain at least 75% of the second quarter level and at least 37.5 billion yen when using as the reference period an accounting period that immediately follows the tender offer for the Company's own shares and occurs after a second quarter or when using the second quarter.

(ii) An ordinary loss and an operating loss shall not be shown on the consolidated statements of income or the the quarterly statements of income as of each record date for calculations starting from the September 2014 second quarter.

(iii) Maintain a shareholders' equity ratio (net assets/total assets x 100) of at least 20% in the consolidated balance sheets or the quarterly balance sheets as of each record date for calculations starting from the Septermber 2014 second quarter.

(iv) Ensure that the leverage ratio (net interest-bearing debt (interest-bearing debt – cash or cash equivalents) ÷ EBITDA (earnings before interest, taxes, depreciation and amortization) as of each record date starting from the September 2014 second quarter does not exceed the following.

Rate (See Note)	Leverage ratio
At least BBB+	6.5x
BBB	6.0x
BBB-	5.75x

(Note) Rating refers to either issuer rating (or long-term preferred liabilities rating) acquired by the borrower from either R&1 or JCR or rating pertaining to loan claim, whichever is higher.

(v) The balance of cash and cash equivalenets in the consolidated balance sheets or the quarterly balance sheets as of the end of each month starting from the last day of the month to which the date of execution of the loan agreement belongs shall not be less than 3 billion yen for three consecutive months and shall not be less than 2 billion yen for two consecutive months.

(vi) Maintain an R&I issuer rating or JCR long-term preferred liabilities rating of at least BBB-.

The new AG Loan agreement also stipulates to the effect that the Group shall consult with the financial institutions in good faith over a plan of action in the event that a party that is not fit and proper (includes (i) antisocial force, (ii) person who currently falls or previously fell under grounds for disqualification as director due to a violation of the Companies Act, the Financial Instruments and Exchange Act or other relevant laws and regulations, (iii) a person who is asserting rights in a manner that impedes in material aspects the soundness and fairness of capital markets and is seriously infringing on the interests of the Company, including seriously violating the aims of the Financial Insturments and Exchange Act, and (iv) a person who is deemed to be essentially the same as these or an integral part thereof) came to hold more than 5% of the Company's shares(including additional acquisition by a person who already holds more than 5%) , and in the event that such consultations failed to result in agreement, the financial institutions could demand acceleration of the Company's obligations. (However, the agreement states that the financial institutions may not withhold or refuse their agreement and demand acceleration for reasons that are irrational in light of the Company's interests (on judging such irrationality, the adverse impact on the preservation of claims must be taken into consideration).
As of May 13, 2015, grounds for commencing the abovementioned consultations in good faith have arisen and the Company is consulting with the 13 financial instituions led by Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation and The Bank of Tokyo-Mitsubishi UFJ, Ltd. over a plan of action. The Company is holding consultations in good faith with a view to reaching an agreement on a plan of action with the financial instituions.
While the Group as of May 13, 2015 believes that it is unlikely its obligations will be accelerated, a mortgage on real estate owned by the Group could be registered or the Group's obligations could be accelerated in the event that the above financial covenants, etc. are violated for some reason, potentially having an impact on the financial position of the Group. Further, interest rates on borrowings are variable rates, and fluctuations in the interest rate may have an impact on the Group's performance.

8) Regulatory Environment and Legal Compliance

The Group is bound by various laws and regulations relating to land use and development in relation to its development and use of land for its golf courses, including the National Land Use Planning Law, City Planning Law, Forest Law, River Law and Agricultural Land Law. With respect to its golf course management operations, the Group is bound by laws such as the Food Sanitation Law and Public Bath Law in relation to the operation of its facilities, as well as laws relating to the environment such as the Pesticide Law, Law on the Disposal and Cleaning of Wastes and Environmental Impact Evaluation Law. In the event that major revisions to such laws or new regulations affecting the Group's operations are established and enforced in the future, the Group will be forced to adapt to the new laws or provisions, and its operations or performance may therefore be impacted. While the Group is not aware of any significant legal violations which have not been corrected as of May 13, 2015, there is a risk that past inadequacies concerning legal compliance may materialize due to the fact that its subsidiaries are mostly failed companies that filed for protection under the Corporate Revitalization Law or the

Civil Rehabilitation Law. The Group's operations or performance may be impacted in the event that administrative or monitoring authorities impose an order on the Group to improve its legal compliance.

With respect to legal violations by officers and employees, Accordia Golf has positioned legal compliances as one of its key management objectives, established a corporate charter including compliance-related aspects, and ensures that all officers and employees comply with all laws and regulations. The Company has also introduced a monitoring system by employees where employees are to report on the occurrence of any compliance violations within the Company. However, the Group's operations may nonetheless be impacted in the event of material fraud by officers or employees.

9) Management of Personal Information

The Group had approximately 170,000 members as of March 31, 2015, and aggregates membership information for 134 operated golf courses in a database. Further, the Group has issued approximately 3.77 million pointcards to members and other customers under its pointcard program as of March 31, 2015, and has around 470,000 registered users of its online golf course reservation services, and it aggregates customer information in a database. In the event of an external leakage of such personal information, the social reputation of the Group is likely to be damaged, possibly having an impact on operating performance.

2. Status of the Group

(1) Business Description

The Group consists of 27 companies comprising the Company (Accordia Golf Co.,Ltd.) and its 24 subsidiaries and 2 equity-method affiliates as of March 31, 2015, and is mainly engaged in the golf course management business. In August 2014, the Company implemented a Business Trust-based Asset-light Strategy, reducing the number of golf courses owned by the Company by 90. The Company concluded a Golf Course Management Agreement with Accordia Golf Asset Godo Gaisha (hereinafter the “AG Asset”) regarding the Company’s undertaking of the management operations of these golf courses. As a result the number of golf courses operated by the Company under contract increased.

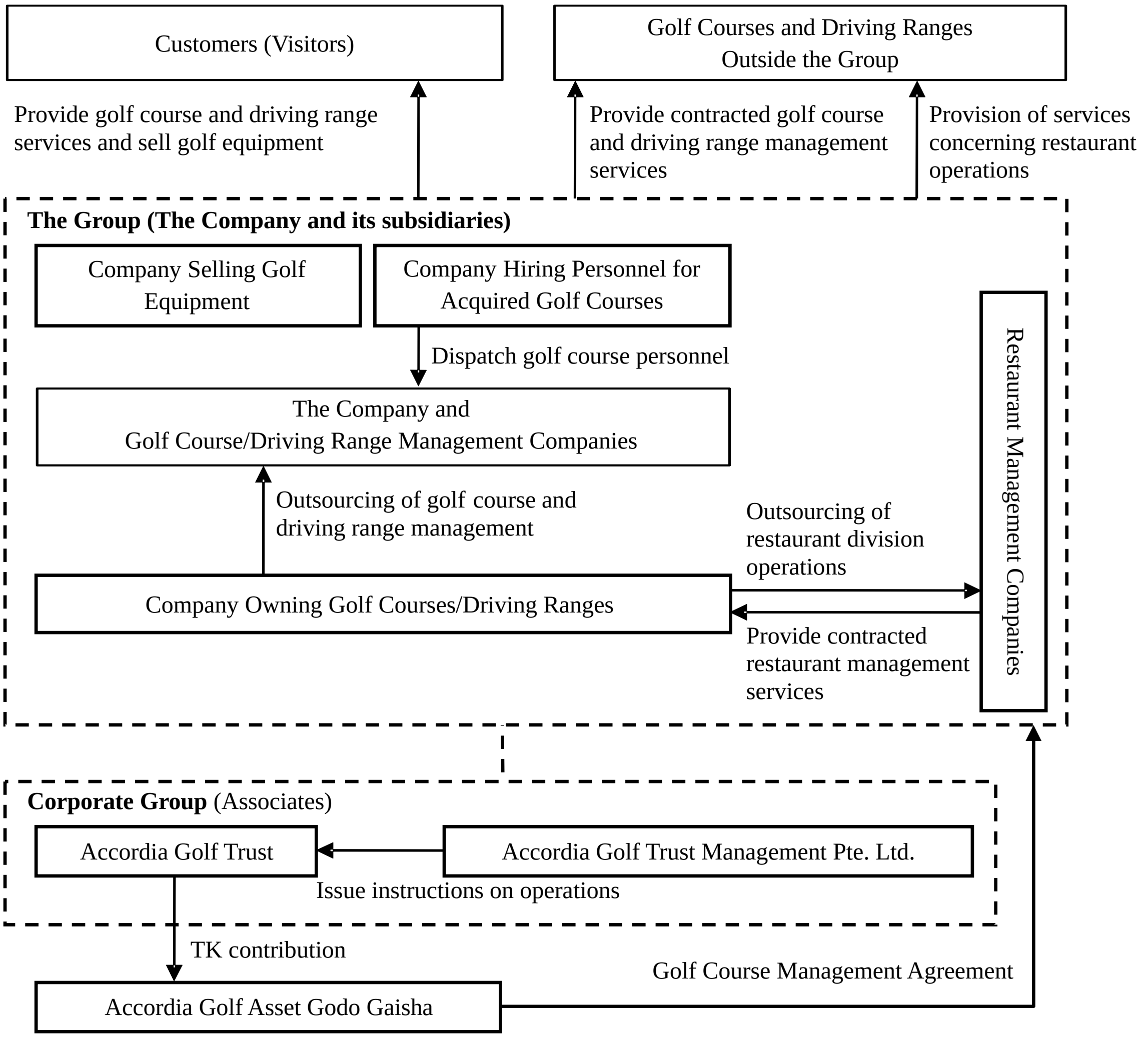
Accordia Golf Trust (hereinafter the “AG Trust”) made a TK contribution to the AG Asset.

The Group also operates driving ranges, sells golf equipment, and undertakes the management of golf courses under contract to parties outside the Group.

The Company falls under a specified listed company, etc., and judgments concerning numerical criteria stipulated relative to the size of the listed company that are included in “minor criteria” (criteria which have minor influence on the investors’ investment decisions) for material facts under insider trading regulations will be made based on consolidated data.

The Group’s “Schematic Business Diagram” is as follows.

Schematic Business Diagram



(Note) Revenues and expenses for services to customers are recorded by each company owning a golf course, pursuant to the contracted operations agreements with each golf course.

3. Management Policies

(1) Basic Management Policies

Accordia Golf, under the basic principle of “always pursuing services to satisfy all players from a customer perspective,” seeks to propose a new golf lifestyle.

“Golf,” as recommended by the Group, means “private golf” with family and close friends, a lifetime sport that can be enjoyed regardless of age or gender. From this perspective, the Group seeks to promote the creation of a environment in which people can enjoy golf without taking it seriously, under the “It’s a new game” = “casual and enjoyable golf” concept.

Also, the Group’s Integrated Golf Services Business uses golf courses and driving ranges as the foundations for comprehensively supporting the golfing life of its customers in various scenarios and making golf an even more integral part of their lives. Through this, the Group seeks to enhance customer satisfaction and turn even one more person into an Accordia fans in order to achieve sustainable growth in the long-term.

(2) Target Management Indicators

The Group will focus on enhancing return on equity (ROE) as its primary target management indicator by improving the operating margin alongside growth in income from contracted golf course operations and improving capital efficiency, and under its new mid-term management plan, which will enter its final year in the fiscal year ending March 2017, the Group aims for an ROE of at least 15%. ROE as of March 31, 2015 stood at 8.7% (net income ÷ average of the beginning and ending equity), improving from the fiscal year ended March 31, 2014.

(3) Medium-to-Long-Term Strategy

On August 1, 2014, the Group implemented a Business Trust-based Asset-light Strategy and is now focusing on a new circulating business model consisting of acquisition of new golf courses, value adding, transfer, and consignment of management, with a view to improving capital efficiency, which had become an issue for the expansion of the golf course operation business. By introducing this circulating business model, the Group aims to accelerate the expansion of the golf course consigned management business and aims to develop from “Japan’s largest golf course holding company” to “the world’s largest golf course operating company.”

1) Generation of cash through establishment of the circulating business model

The Group has in the past aggressively acquired golf courses and been a leader in the golfing industry in Japan as Japan’s largest golf course holding company”.

With the M&A market for golf courses on the recovery path, the Company will seek to increase asset efficiency and enhance its growth potential through a Business-Trust-based Asset Light Strategy.

The Group will also establish a cyclical business model aimed at creating capital gains by proactively acquiring new golf course and transferring them after value adding and at expanding income from contracted golf course operations by undertaking golf course management operations from transferees.

2) Generation of Stable Cash through Expansion of Consigned Management Business

The Company will acquire management contracts through the transfer of the Company’s owned golf courses to mainly to the Business Trust and management contracts from third parties, and it will expand the consigned management business in a sustainable manner and create stable cash flow.

The Company will make continuous service improvements and increase ability to attract customers by further enhancing the value of the Accordia Golf brand enabling “casual and pleasant play” that it has proposed and developed to date, in order to make the stable growth of this consigned management business sustainable. It will also win new markets by developing multiple golf course brands to meet diverse customer needs, including customers who want casual golfing, customers who aspire to tournament-standard high quality golf courses, and customers who simply want to enjoy golf and demand cost performance.

3) Total shareholder return policy

The Company’s targeted total shareholder return ratio is 90%, this includes a base dividend with a targeted dividend payout ratio of 45% of the deemed consolidated net income, which is based mainly on the operating revenue of operated golf courses and management contract income, and a portion of the extraordinary income and surplus cash flow derived from the sale of golf courses after value adding, which will be applied to share buybacks and commemorative dividends.

(4) Challenges Facing the Company

The Group will regard the following challenges as management tasks and address them proactively.

1) Golf business reform

(a) Development of circulating business model

The Group recognizes promotion of the circulating business model as its most important management challenge and will push ahead with the value adding of the golf courses it already owns and the acquisition of new golf courses.

Our policy for the acquisition of new golf courses is to invest in golf courses located within the three largest metropolitan areas, especially suburban metropolitan cities with stable populations that have plenty of scope for value adding through the Company’s operations, and we will also examine investing in overseas golf courses.

(b) Improvement of brand power through the implementation of a multi-brand strategy

Since the creation of the Accordia Brand, the Group has offered new golfing services, enhancing the level of its services by fully implementing four service principles consisting of providing high-quality course conditions that guarantee a comfortable round of golf; accommodating different playing styles to meet diverse customer needs; providing a full line of services at pro shops, similar to specialty shops; and providing restaurants with prices that are reasonable and well-suited to a sporting area. Under the Accordia Golf Brand, the Group has achieved its growth thanks to the support from the emerging golfing clientele acquired through our effort to develop and establish “casual and enjoyable golf,” focusing on private account users.

In response to the diversification of customer needs, the Group intends to pursue a brand strategy that caters for a range of target groups, establishing the EVERGOLF brand for customers who simply want to enjoy playing golf at lower prices and the TROPHIA GOLF brand for customers who demand challenging golf courses far beyond the casual golfing.

The Company currently operates the Ishioka Golf Club and the Narashino Country Club King & Queen Course under the TROPHIA GOLF brand and the Narashino Country Clubo Kuko Course under the EVERGOLF brand.

The Ishioka Golf Club has been selected to host the HONMA TOURWORLD CUP AT TROPHIA GOLF, a JGTO Tour Tournament, from October 8-11, 2015, and the Narashino Country Club King & Queen Course has been selected to hold the FY2016 Japan Senior Open Golf Championship.

(c) Achievement of optimum costs

As the largest golf course operation company in Japan, the Group has focused on low cost operations, making the most of the advantage of its scale. The Group streamlined operations through the concentration of personnel affairs, and accounting operations at golf courses and made concentrated purchases of golf course equipment, materials, consumables, shop products, and food materials, etc. The Group also reduced green fees, created an environment that makes it easy for golfers to visit, and introduced the creation of environments leading to the implementation of comfortable self-play on a trial basis, such as the introduction of cafeteria restaurants and fare adjustment machines. The Group will expand and enhance these aspects step-by-step by examining customers’ needs.

In addition, the Group will improve its profits by changing labor costs into variable costs, holding personnel in common for multiple services such as the front desk and restaurants on golf courses, and saving labor for cooking services at restaurants with the aim of optimizing the costs for each brand.

(d) Materialization of profit-maximizing operations

The Group strives to maximize its profits by setting optimized course capacities and prices, through categorizing the market positions of golf courses depending on their market characteristics, securing an optimized utilization ratio, and analyzing accumulated customer behavior and other databases for use in our daily marketing. We will also use visitor data and market data analysis when examining facilities to increase the repeat rate and optimize channels for attracting customers. Further, revenue management sells rounds of golf by estimating demand, setting appropriate prices, utilization rates and number of rounds in order to maximize earnings. Especially recently, we have been increasing utilization by implementing company-wide promotional measures utilizing the economies of scale that come with conducting operations nationwide, focusing on weekdays when there is scope for expanding revenues as a result of gaining visitors.

The Group's customer retention hinges on the ACCORDIA GOLF loyalty card program, which had approximately 3.77 million members as of March 31, 2015. We identify the members of our operated golf courses, who numbered around 170,000 as of March 31, 2015, as the most important customers, and we strive to enhance our member services, for instance, offering members free golf clinic services twice a year and holding members-only events, which results in increased use of our courses by our members.

The Group also seeks to encourage visitors to come back to its golf courses and turn them into repeat customers by further enhancing the content and usabiliy of the Company's official website Accordia Web, which has around 470,000 registered users, and by proactively disseminating information.

2) Expansion of scale and profitability of driving range business

The Group's driving ranges maintain a pleasant environment and also encourage beginners and female golfers to take up the game by offering practical lessons for the golf course through lesson programs at Accordia Golf Academy. In addition, providing abundant product lineups at the pro shops and high quality, value-added services, encourages visits to the driving ranges and, by offering introductions to nearby golf courses, synergies between driving range and golf courses are increased.

Further, by leveraging the scale of the Group, systems and infrastructure are combined to ensure the low-cost operation.

In the future, the Group will focus on the non-asset operation business such as a method of contracted operations and a franchise method to expand the number of driving range facilities operating under the Company's brand from the viewpoint of attracting more customers. The Group will confine purchases and constructions to blue-chip properties with high investment efficiency in urban areas.

3) Strengthening sales and purchases and the expansion of sales channels in the retail business

On April 1, 2014, the Group spun off its retail business as a separate company called Accordia Retail Co., Ltd. with a view to further expanding revenues from golf equipment sales. Accordia Retail Co., Ltd. will expand the revenue base and create new revenue opportunities such as highstreet shops and franchising, as a dedicated organization specializing in the retail business.

In this context, the Group will launch a separate brand golfrevo dedicated to shops, to renovate existing shops in golf courses and driving ranges into specialist golf goods shops as part of a service enhancing initiative. It will also expand stores with golf club trade-in services to meet demand for the replacement of golf clubs and aims to roll these out at all operated stores by March 2016.

4) Promoting increased activity within the golf market

Increasing the golf population and promoting activity within the golf market are believed to be crucial for the achievement of long-term growth by the Group. As such, it has implemented initiatives aimed at increasing the golf population, including the creation of a website for female golfers, events for beginners, advertising in fashion magazines, holding junior lesson events and launching the young golfers' annual membership system.

At the Rio de Janeiro Olympics in 2016, golf has officially been made an Olympic sport. Since golf has also been added to the events at the Tokyo Olympics to be held in 2020, interest in golf is also increasing among junior players. Against this backdrop, in January 2014, the Company launched Accordia Kids, a registration system for junior golfers to create an environment in which it is easier for children to take up golf, motivated by the desire to introduce as many juniors as possible to the fantastic lifelong sport of golf and to develop the next generation of golfers.

Further, for baby boomers and senior golfers, who are currently the Group’s main customer base, we are taking steps to enable them to enjoy golf for their entire lives. For example, we allow golfers over 70 to drive golf carts on the fairways throughout the year. The weekday annual membership for senior golfers, now available in 11 areas throughout Japan, has been well received, offering the advantages of allowing members to play on more than one course and helping them make new golfing friends through golf competitions. Going forward, the Group will continue to plan events and provide information that conveys the joy of golf to women, teenagers, seniors and others regardless of age or gender, in order to expand and invigorate the golf-related market.

5) Establishing stable financing methods

The Group has achieved low-cost and stable financing methods for the acquisitions of golf courses or acquisitions and development of driving ranges through a balanced mix of syndicated loans, corporate bonds and commitment lines.

Steps to manage the risk posed by interest rate fluctuations have also been taken to maintain a sound financial structure.

6) Strengthening the Compliance System

The Company will strengthen its governance system and compliance system and, at the same time, raise each employee’s awareness of compliance through training and educational activities.

4. Basic Approach to the Selection of Accounting Standards

The Group' s policy is to adopt Japanese accounting standards for the present since, as of May 13, 2015, the Group operates exclusively in Japan and is not involved in business activities overseas. However, the Group will examine the adoption of International Financial Reporting Standards (IFRS) in light of future trends in the ratio of overseas shareholders and moves to adopt IFRS by other companies in Japan.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Thousand yen)

	Previous Consolidated Fiscal Year (As of March 31, 2014)	Consolidated Fiscal Year Under Review (As of March 31, 2015)
Assets		
Current Assets		
Cash and Deposits	4,656,540	3,485,043
Operating Accounts Receivable	5,254,651	2,380,316
Lease Investment Assets	–	531,295
Merchandise	2,264,100	1,971,423
Raw Materials and Supplies	360,198	121,127
Deferred Tax Assets	3,096,611	197,666
Other	4,472,715	8,656,820
Allowance for Doubtful Accounts	(673,441)	(165,794)
Total Current Assets	19,431,376	17,177,898
Non-Current Assets		
Property, Plant and Equipment		
Buildings and Structures, Net	42,695,261	20,646,058
Machinery, Equipment and Vehicles, Net	4,474,168	2,597,447
Tools, Furniture and Fixtures, Net	3,015,321	1,542,346
Golf Courses	110,241,730	42,716,094
Land	53,448,349	28,534,208
Construction in Progress	889,460	250,977
Total Property, Plant and Equipment	214,764,291	96,287,132
Intangible Assets		
Goodwill	21,128,388	8,930,923
Other	4,740,475	2,707,232
Total Intangible Assets	25,868,864	11,638,156
Investments and Other Assets		
Investment Securities	47,591	21,654,803
Long-Term Loans Receivable	49,428	542,428
Lease Investment Assets	–	1,649,882
Deferred Tax Assets	81,238	6,301,945
Other	3,023,794	2,816,456
Allowance for Doubtful Accounts	(305,282)	(293,356)
Total Investments and Other Assets	2,896,770	32,672,159
Total Current Assets	243,529,926	140,597,448
Total Assets	262,961,302	157,775,347

(Thousand yen)

	Previous Consolidated Fiscal Year (As of March 31, 2014)	Consolidated Fiscal Year Under Review (As of March 31, 2015)
Liabilities		
Current Liabilities		
Accounts Payable – Trade	2,110,713	1,626,977
Short-Term Loans Payable	12,704,000	500,000
Commercial Papers	2,998,799	4,998,002
Current Portion of Long-Term Loans Payable	9,363,135	12,410,304
Current Portion of Bonds	15,000,000	–
Lease Obligations	1,540,959	1,697,224
Accounts Payable - Other	5,952,992	3,589,672
Income Taxes Payable	4,112,579	1,780,077
Unearned revenue	4,813,072	1,376,584
Provision for bonuses	760,925	457,261
Provision for Point Card Certificates	588,474	418,084
Provision for Shareholder Benefit Program	437,252	457,004
Other	1,487,475	1,453,927
Total Current Liabilities	61,870,379	30,765,122
Non-Current Liabilities		
Long-Term Loans Payable	60,817,134	53,132,256
Lease Obligations	5,362,601	7,058,375
Deferred Tax Liabilities	15,417,996	6,146,603
Deposits on Admission	24,847,809	9,522,968
Asset Retirement Obligations	619,941	645,847
Other	1,822,820	3,341,619
Total Non-Current Liabilities	108,888,303	79,847,670
Total Liabilities	170,758,683	110,612,792
Net Assets		
Shareholders' Equity		
Capital stock	10,940,982	10,940,982
Capital Surplus	20,622,481	14,122,481
Retained Earnings	62,505,199	41,847,460
Treasury Shares	(1,999,977)	(19,928,107)
Total Shareholders' Equity	92,068,687	46,982,817
Other Cumulative Comprehensive Income		
Deferred Gains or Losses on Hedges	–	(81,638)
Foreign Currency Translation Adjustment	–	1,772
Total Other Cumulative Comprehensive Income	–	(79,866)
Subscription Rights to Shares	–	140,424
Minority Interests	133,932	119,178
Total Net Assets	92,202,619	47,162,554
Total Liabilities and Net Assets	262,961,302	157,775,347

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

(Consolidated Statements of Income) (Thousand yen)

	Consolidated Fiscal Year Ended March 31, 2014 (From April 1, 2013 to March 31, 2014)	Consolidated Fiscal Year Ended March 31, 2015 (From April 1, 2014 to March 31, 2015)
Operating Revenues	91,983,152	63,908,868
Operating Expenses		
Business Expenses	75,482,109	51,127,707
Selling, General, and Administrative Expenses	4,254,529	5,450,263
Total Operating Expenses	79,736,639	56,577,971
Operating Income	12,246,512	7,330,897
Non-Operating Income		
Interest Income	787	15,626
Rent Income	66,117	54,428
Subsidy Income	15,648	–
Dues and Other Incentive Payments	70,451	42,065
Other	143,422	77,300
Total Non-Operating Income	296,428	189,421
Non-Operating Expenses		
Interest Expense	1,535,296	1,369,134
Syndicated Loan Fees	564,000	864,750
Equity in Losses of Affiliates	3,285	1,162,628
Other	121,805	586,845
Total Non-Operating Expenses	2,224,387	3,983,358
Ordinary Income	10,318,553	3,536,959
Extraordinary Income		
Gain on Insurance Adjustment	171,378	95,082
Gain on Sale of Non-Current Assets	95,739	35,954
Gain on Bargain Purchase	–	527,531
Gain on Sales of Shares of Subsidiaries and Associates	75,708	6,180,783
Compensation Income	103,653	244,996
Gain on Forgiveness of Debts	160,189	37,630
Total Extraordinary Income	606,670	7,121,978
Extraordinary Losses		
Loss on Sale and Retirement of Non-Current Assets	31,219	67,649
Loss on Disaster	138,318	109,469
Loss on Sales of Shares of Subsidiaries and Associates	149,737	–
Other	3,526	–
Total Extraordinary Losses	322,802	177,118
Income before Income Taxes	10,602,420	10,481,819
Income Taxes - Current	5,322,837	8,788,930
Income Taxes - Deferred	656,318	(4,336,848)
Total Income Taxes	5,979,155	4,452,081
Income before Minority Interests	4,623,265	6,029,738
Minority Interests in Income	6,089	14,525
Net Income	4,617,175	6,015,212

(Consolidated Statements of Comprehensive Income) (Thousand yen)

	Consolidated Fiscal Year Ended March 31, 2014 (From April 1, 2013 to March 31, 2014)	Consolidated Fiscal Year Ended March 31, 2015 (From April 1, 2014 to March 31, 2015)
Income Before Minority Interests	4,623,265	6,029,738
Other Comprehensive Income		
Share of Other Comprehensive Income of Entities Accounted for Using Equity Method	–	(79,866)
Total Other Comprehensive Income	–	(79,866)
Comprehensive Income	4,623,265	5,949,871
Comprehensive Income Attributable to		
Comprehensive Income Attributable to Owners of the Parent	4,617,175	5,935,346
Comprehensive Income Attributable to Minority Interests	6,089	14,525

(3) Consolidated Statement of Cash Flows (Thousand yen)

	Consolidated Fiscal Year Ended March 31, 2014 (From April 1, 2013 to March 31, 2014)	Consolidated Fiscal Year Ended March 31, 2015 (From April 1, 2014 to March 31, 2015)
Cash Flows from Operating Activities		
Net Income before Taxes	10,602,420	10,481,819
Depreciation	5,705,247	3,831,188
Amortization of Goodwill	2,561,645	1,700,971
Increase (Decrease) in Allowance for Doubtful Accounts	(135,580)	(13,863)
Increase (Decrease) in Provision for Bonuses	(40,221)	(193,276)
Increase (Decrease) in Provision for Point Card Certificates	(84,372)	(170,390)
Increase (Decrease) in Provision for Shareholder Benefit Program	(32,517)	19,752
Interest Income	(787)	(15,626)
Interest Expenses	1,535,296	1,369,134
Share of (Profit) Loss of Entities Accounted for Using Equity Method	–	1,162,628
Loss (Gain) on Sales and Retirement of Non-Current Assets	(64,520)	31,695
Loss (Gain) on Sales of Shares of Subsidiaries and Associates	74,029	(6,180,783)
Gain on Forgiveness of Debt	(160,189)	(37,630)
Gain on Bargain Purchase	–	(527,531)
Decrease (Increase) in Notes and Accounts Receivable - Trade	(259,952)	(31,127)
Increase (Decrease) in Notes and Accounts Payable - Trade	(122,978)	282,786
Increase (Decrease) in Accounts Payable - Other	933,577	(1,722,100)
Increase (Decrease) in Unearned Revenue	(232,997)	(1,530,788)
Decrease (Increase) in Lease Investment Assets	–	461,480
Other	(3,317,319)	1,307,861
Subtotal	16,960,781	10,226,201
Interest Income Received	786	1,923
Interest Expenses Paid	(1,561,203)	(1,376,164)
Income Taxes Paid	(3,842,983)	(13,579,854)
Net Cash Provided by (Used in) Operating Activities	11,557,380	(4,727,894)
Cash Flows from Investing Activities		
Purchase of Property, Plant and Equipment	(4,720,401)	(2,746,864)
Proceeds from Sales of Property, Plant and Equipment	132,693	99,117
Purchase of Intangible Assets	(375,074)	(211,875)
Proceeds from Withdrawal of Time Deposits	–	12,500
Purchase of Shares of Subsidiaries	–	(150,000)
Purchase of Shares of Subsidiaries Resulting in Change in Scope of Consolidation	(860,139)	(129)
Proceeds from Purchase of Shares of Subsidiaries Resulting in Change in Scope of Consolidation	–	36,131
Proceeds from Sales of Shares of Subsidiaries Resulting in Change in Scope of Consolidation	940,318	87,648,314
Decrease (Increase) in Short-Term Loans Receivable	(962)	29,170
Payments of Long-Term Loans Receivable	–	(500,000)
Payments of sponsor contributions to companies undergoing civil rehabilitation proceeedings	–	(280,000)
Other	(128,966)	31,730
Net Cash Provided by (Used in) Investing Activities	(5,012,532)	83,968,094

(Thousand yen)

	Consolidated Fiscal Year Ended March 31, 2014 (From April 1, 2013 to March 31, 2014)	Consolidated Fiscal Year Ended March 31, 2015 (From April 1, 2014 to March 31, 2015)
Cash Flows from Financing Activities		
Net Increase (Decrease) in Short-Term Loans Payable	5,199,689	(12,204,000)
Net Increase (Decrease) in Commercial Papers	985,073	1,968,751
Proceeds from Long-Term Loans Payable	12,302,000	58,700,000
Repayments of Long-Term Loans Payable	(10,277,255)	(63,337,709)
Redemption of Bonds	(10,000,000)	(15,000,000)
Proceeds from Sale and Leasebacks	1,733,091	2,393,047
Purchase of Treasury Shares	–	(45,000,287)
Proceeds from Issuance of Subscription Rights to Shares	–	140,424
Repayments of Finance Lease Obligations	(2,010,078)	(1,841,851)
Cash Dividends Paid	(5,635,945)	(6,083,938)
Cash Dividends Paid to Minority Shareholders	–	(26,496)
Repayments of Long-Term Deposits Received	(70,118)	(57,936)
Net Cash Provided by (Used in) Financing Activities	(7,773,544)	(80,349,996)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,228,696)	(1,109,796)
Beginning Cash & Cash Equivalents Balance	5,823,537	4,594,840
Ending Cash & Cash Equivalents Balance	4,594,840	3,485,043