Daiwa House Industry Co., Ltd. and its Consolidated Subsidiaries

Consolidated Financial Statements as of and for the Year Ended March 31, 2016, and Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Daiwa House Industry Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Daiwa House Industry Co., Ltd. and its consolidated subsidiaries as of March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Daiwa House Industry Co., Ltd. and its consolidated subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 16, 2016

Daiwa House Industry Co., Ltd. and its Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2016	2015	2016
CURRENT ASSETS:			
Cash and cash equivalents (Notes 8 and 20)	¥ 188,923	¥ 234,544	$ 1,671,885
Marketable securities (Notes 3 and 20)	16	16	142
Lease receivables and investment assets (Notes 19 and 20)	21,445	25,969	189,779
Short-term investments (Note 20)	3,648	4,232	32,283
Receivables (Notes 8 and 20):			
Trade notes	23,129	15,856	204,682
Trade accounts	258,535	227,992	2,287,920
Unconsolidated subsidiaries and associated companies	92	198	814
Allowance for doubtful receivables	(2,583)	(3,348)	(22,858)
Inventories (Notes 4 and 8)	640,165	598,691	5,665,177
Deferred tax assets (Note 16)	35,407	32,837	313,336
Prepaid expenses and other current assets (Note 8)	160,072	133,261	1,416,566
Total current assets	1,328,849	1,270,248	11,759,726
PROPERTY, PLANT AND EQUIPMENT (Note 7):			
Land (Notes 5, 6 and 8)	652,042	566,140	5,770,283
Buildings and structures (Notes 6 and 8)	819,612	782,817	7,253,203
Machinery and equipment (Notes 6 and 8)	124,520	105,241	1,101,947
Furniture and fixtures (Note 6)	53,633	51,041	474,628
Lease assets (Notes 6 and 19)	20,453	20,137	181,000
Construction in progress (Note 6)	27,958	22,884	247,416
Total	1,698,218	1,548,260	15,028,477
Accumulated depreciation	(507,513)	(478,139)	(4,491,265)
Net property, plant and equipment	1,190,705	1,070,121	10,537,212
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 20)	237,278	228,932	2,099,805
Investments in unconsolidated subsidiaries and associated companies (Note 20)	83,686	82,083	740,584
Advances to unconsolidated subsidiaries and associated companies	238	299	2,106
Long-term loans receivable	13,550	13,803	119,912
Lease deposits (Note 20)	205,660	199,563	1,820,000
Deferred tax assets (Note 16)	88,256	52,744	781,027
Goodwill	54,413	48,137	481,531
Other assets (Note 6)	58,148	58,507	514,584
Allowance for doubtful accounts	(2,978)	(3,430)	(26,354)
Total investments and other assets	738,251	680,638	6,533,195
TOTAL	¥3,257,805	¥3,021,007	$28,830,133

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	2016	2015	2016
CURRENT LIABILITIES:			
Short-term bank loans (Notes 8 and 20)	¥ 54,291	¥ 70,893	$ 480,451
Commercial paper (Notes 8 and 20)		72,000	
Current portion of long-term debt (Notes 8, 19 and 20)	44,328	37,887	392,283
Payables (Note 20):			
Trade notes	137,625	99,786	1,217,920
Trade accounts	230,391	205,844	2,038,858
Unconsolidated subsidiaries and associated companies	479	3,632	4,239
Other accounts	126,883	137,490	1,122,859
Deposits received from customers	107,531	90,488	951,602
Income taxes payable (Note 20)	60,429	27,416	534,770
Accrued bonuses	46,663	39,249	412,947
Provision for product warranties	7,099	6,819	62,823
Asset retirement obligations (Note 10)	1,718	1,617	15,204
Advances received	49,419	39,733	437,336
Accrued expenses and other current liabilities	106,934	83,250	946,319
Total current liabilities	973,790	916,104	8,617,611
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8, 19 and 20)	417,437	413,140	3,694,133
Liability for employees' retirement benefits (Note 9)	280,228	179,471	2,479,894
Deferred tax liabilities on land revaluation (Note 5)	20,729	21,329	183,442
Long-term deposits received from the Company's club members	31,626	32,833	279,876
Lease deposits received (Note 20)	249,950	241,355	2,211,947
Asset retirement obligations (Note 10)	32,999	29,435	292,026
Other long-term liabilities	69,059	74,523	611,142
Total long-term liabilities	1,102,028	992,086	9,752,460
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 19, 21 and 22)			
EQUITY (Note 11):			
Common stock - authorized, 1,900,000,000 shares; issued, 666,238,205 shares in 2016 and 660,421,851 shares in 2015	161,699	161,699	1,430,965
Capital surplus	311,226	294,632	2,754,212
Stock acquisition rights	39	39	345
Retained earnings (Note 24)	591,851	534,640	5,237,619
Treasury stock - at cost, 2,429,422 shares in 2016 and 1,619,741 shares in 2015	(4,618)	(1,966)	(40,867)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	84,983	84,678	752,062
Deferred gain on derivatives under hedge accounting	36	84	319
Land revaluation difference (Note 5)	702	(457)	6,212
Foreign currency translation adjustments	24,399	32,318	215,920
Total	1,170,317	1,105,667	10,356,787
Non-controlling interests	11,670	7,150	103,275
Total equity	1,181,987	1,112,817	10,460,062
TOTAL	¥3,257,805	¥3,021,007	$28,830,133

See notes to consolidated financial statements.

Daiwa House Industry Co., Ltd. and its Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2016

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2016	2015	2014	2016
NET SALES	¥3,192,901	¥2,810,715	¥2,700,318	$28,255,761
COST OF SALES	2,560,484	2,269,847	2,192,415	22,659,150
Gross profit	632,417	540,868	507,903	5,596,611
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	389,316	360,516	344,326	3,445,274
Operating income	243,101	180,352	163,577	2,151,337
OTHER INCOME (EXPENSES):				
Interest income and dividends	7,016	6,576	6,358	62,088
Interest expense	(5,049)	(5,129)	(4,620)	(44,682)
Write-down of investment securities (Note 3)	(1,287)	(921)	(1,801)	(11,389)
Loss on sales and disposal of property, plant and equipment	(835)	(524)	(616)	(7,389)
Gain on revision of employees' retirement benefit plan (Note 9)		9,394		
Gain on sales of investment securities (Note 3)	10,078	3,272	78	89,186
Amortization of actuarial gain (loss) for employees' retirement benefits (Note 9)	(9,182)	21,047	14,221	(81,257)
Actuarial loss due to a change of discount rate (Note 9)	(84,960)			(751,858)
Impairment loss on property, plant and equipment (Note 6)	(3,311)	(11,183)	(5,611)	(29,301)
Other - net (Note 15)	644	(1,793)	(3,076)	5,699
Other income (expenses) - net	(86,886)	20,739	4,933	(768,903)
INCOME BEFORE INCOME TAXES	156,215	201,091	168,510	1,382,434
INCOME TAXES (Note 16):				
Current	89,331	58,451	68,235	790,540
Deferred	(37,786)	25,101	(2,234)	(334,390)
Total income taxes	51,545	83,552	66,001	456,150
NET INCOME	104,670	117,539	102,509	926,284
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(1,092)	(406)	(413)	(9,664)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 103,578	¥ 117,133	¥ 102,096	$ 916,620

	Yen			U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 12):				
Basic net income	¥156.40	¥177.74	¥161.08	$1.38
Diluted net income	155.83			1.38
Cash dividends applicable to the year	80.00	60.00	50.00	0.71

See notes to consolidated financial statements.

Daiwa House Industry Co., Ltd. and its Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2016

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2016	2015	2014	2016
NET INCOME	¥104,670	¥117,539	¥102,509	$926,284
OTHER COMPREHENSIVE INCOME (LOSS) (Note 23):				
Unrealized gain on available-for-sale securities	633	33,820	26,106	5,602
Deferred gain (loss) on derivatives under hedge accounting	(49)	74	10	(434)
Land revaluation difference	1,112	2,222		9,841
Foreign currency translation adjustments	(4,712)	5,551	9,776	(41,699)
Share of other comprehensive income (loss) in associated companies	(3,717)	6,730	10,200	(32,894)
Total other comprehensive income (loss)	(6,733)	48,397	46,092	(59,584)
COMPREHENSIVE INCOME	¥ 97,937	¥165,936	¥148,601	$866,700
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	¥97,027	¥165,493	¥148,202	$858,646
Non-controlling interests	910	443	399	8,054

See notes to consolidated financial statements.

Daiwa House Industry Co., Ltd. and its Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2016

	Thousands	Millions of Yen											
							Accumulated Other Comprehensive Income						
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Land Revaluation Difference	Foreign Currency Translation Adjustments	Total	Non-controlling Interests	Total Equity
BALANCE, APRIL 1, 2013	578,673	¥110,120	¥226,825		¥404,979	¥(19,998)	¥24,327		¥(13,161)	¥ 532	¥ 733,624	¥ 1,260	¥ 734,884
Net income attributable to owners of the parent					102,096						102,096		102,096
Issuance of common stock	60,500	51,579	51,579								103,158		103,158
Cash dividends, ¥55.0 per share					(33,436)						(33,436)		(33,436)
Transfer due to sales and impairment of land					(7,919)						(7,919)		(7,919)
Purchase of treasury stock	(54)					(105)					(105)		(105)
Disposal of treasury stock	20,003		16,228			18,847					35,075		35,075
Net change in the year				¥39			26,171	¥ 10	7,919	19,925	54,064	4,870	58,934
BALANCE, MARCH 31, 2014 (April 1, 2014, as previously reported)	659,122	161,699	294,632	39	465,720	(1,256)	50,498	10	(5,242)	20,457	986,557	6,130	992,687
Cumulative effects of accounting change					(9,429)						(9,429)	(0)	(9,429)
BALANCE, APRIL 1, 2014 (as restated)	659,122	161,699	294,632	39	456,291	(1,256)	50,498	10	(5,242)	20,457	977,128	6,130	983,258
Net income attributable to owners of the parent					117,133						117,133		117,133
Cash dividends, ¥55.0 per share					(36,251)						(36,251)		(36,251)
Change in scope of consolidation					8						8		8
Transfer due to sales and impairment of land					(2,541)						(2,541)		(2,541)
Purchase of treasury stock	(320)					(710)					(710)		(710)
Disposal of treasury stock	0		0			0					0		0
Net change in the year							34,180	74	4,785	11,861	50,900	1,020	51,920
BALANCE, APRIL 1, 2015	658,802	161,699	294,632	39	534,640	(1,966)	84,678	84	(457)	32,318	1,105,667	7,150	1,112,817
Net income attributable to owners of the parent					103,578						103,578		103,578
Cash dividends, ¥80.0 per share					(46,320)						(46,320)		(46,320)
Increase by share exchanges	5,817		16,594								16,594		16,594
Change in treasury stock of parent arising from transactions with non-controlling shareholders			0								0		0
Transfer due to sales and impairment of land					(47)						(47)		(47)
Purchase of treasury stock	(810)					(2,652)					(2,652)		(2,652)
Disposal of treasury stock	0		0			0					0		0
Net change in the year							305	(48)	1,159	(7,919)	(6,503)	4,520	(1,983)
BALANCE, MARCH 31, 2016	663,809	¥161,699	¥311,226	¥39	¥591,851	¥ (4,618)	¥84,983	¥ 36	¥ 702	¥24,339	¥1,170,317	¥11,670	¥1,181,987

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Daiwa House Industry Co., Ltd. and its Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2016

	Thousands of U.S. Dollars (Note 1)											
						Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Land Revaluation Difference	Foreign Currency Translation Adjustments	Total	Non-controlling Interests	Total Equity
BALANCE, APRIL 1, 2015	$1,430,965	$2,607,363	$345	$4,731,327	$(17,398)	$749,363	$ 743	$ (4,044)	$286,000	$ 9,784,664	$ 63,274	$ 9,847,938
Net income attributable to owners of the parent				916,620						916,620		916,620
Cash dividends, $0.71 per share				(409,912)						(409,912)		(409,912)
Increase by share exchanges		146,849								146,849		146,849
Change in treasury stock of parent arising from transactions with non-controlling shareholders		0								0		0
Transfer due to sales and impairment of land				(416)						(416)		(416)
Purchase of treasury stock					(23,469)					(23,469)		(23,469)
Disposal of treasury stock		0			0					0		0
Net change in the year						2,699	(424)	10,256	(70,080)	(57,549)	40,001	(17,548)
BALANCE, MARCH 31, 2016	$1,430,965	$2,754,212	$345	$5,237,619	$(40,867)	$752,062	$ 319	$ 6,212	$215,920	$10,356,787	$103,275	$10,460,062

See notes to consolidated financial statements.

(Concluded)

Daiwa House Industry Co., Ltd. and its Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2016

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2016	2015	2014	2016
OPERATING ACTIVITIES:				
Income before income taxes	¥ 156,215	¥ 201,091	¥ 168,510	$ 1,382,434
Adjustments for:				
Income taxes - paid	(58,147)	(77,185)	(55,177)	(514,575)
Depreciation	56,516	53,284	48,534	500,142
Write-down of investment securities	1,287	921	1,801	11,389
Loss on sales and disposal of property, plant and equipment	835	524	616	7,389
Impairment loss on property, plant and equipment	3,311	11,183	5,611	29,301
Equity in earnings (losses) of associated companies	575	(12)	(1,453)	5,089
Changes in certain assets and liabilities, net of consolidation:				
Increase in receivables	(23,426)	(16,194)	(36,675)	(207,309)
Increase in inventories	(36,080)	(80,287)	(36,436)	(319,292)
Increase (decrease) in payables	27,199	39,103	(50,945)	240,698
Increase in deposits received from customers	14,613	19,947	9,470	129,319
Increase (decrease) in advances received	9,588	(411)	(700)	84,849
Increase (decrease) in liability for employees' retirement benefits	97,276	(39,766)	(5,540)	860,849
Other - net	28,735	27,267	30,836	254,292
Total adjustments	122,282	(61,626)	(90,058)	1,082,141
Net cash provided by operating activities	278,497	139,465	78,452	2,464,575
INVESTING ACTIVITIES:				
Purchases of property, plant and equipment	(178,180)	(232,212)	(217,296)	(1,576,814)
Purchases of investment securities	(15,845)	(9,134)	(8,147)	(140,221)
Increase in investments in and advances to unconsolidated subsidiaries and associated companies	(11,375)	(7,519)	(3,083)	(100,664)
Decrease in investments in and advances to unconsolidated subsidiaries and associated companies	1,049	1,645	567	9,283
Proceeds from sales and redemption of investment securities	18,791	11,240	2,675	166,292
Proceeds from sales of property, plant and equipment	2,763	2,605	4,203	24,451
Purchases of investments in subsidiaries		(138)	(171)	
Payments for purchases of shares of newly consolidated subsidiaries (Note 18)	(9,534)	(1,207)	(7,120)	(84,372)
Decrease in lease deposits	(5,283)	(6,546)	(4,513)	(46,752)
Payments for acquisition of business	(111)	(406)		(982)
Other - net	(4,723)	6,645	(7,554)	(41,796)
Net cash used in investing activities	¥(202,448)	¥(235,027)	¥(240,439)	$(1,791,575)

(Continued)

Consolidated Statement of Cash Flows
Year Ended March 31, 2016

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2016	2015	2014	2016
FINANCING ACTIVITIES:				
Net increase (decrease) in short-term bank loans	¥ (24,303)	¥ 48,670	¥ 13,541	$ (215,071)
Net increase (decrease) in commercial paper	(72,000)	72,000		(637,168)
Proceeds from long-term debt (Loans from banks)	61,704	134,083	40,569	546,053
Repayments of long-term debt (Loans from banks)	(46,641)	(66,234)	(45,444)	(412,753)
Proceeds from issuance of bonds		80,000		
Redemption of bonds	(610)	(100,135)	(363)	(5,398)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(60)			(531)
Repayments of finance lease obligations	(2,751)	(3,137)	(2,842)	(24,345)
Proceeds from share issuance to non-controlling shareholders	3,635	258	36	32,168
Repayments to non-controlling shareholders	(4)			(35)
Purchase of treasury stock	(2,652)	(52)	(105)	(23,469)
Proceeds from disposal of treasury stock	1	1	34,347	9
Dividends paid to shareholders	(46,320)	(36,251)	(33,436)	(409,912)
Dividends paid to non-controlling interests	(184)			(1,628)
Remittance to trust of receivables collected			(96)	
Proceeds from issuance of common stock			103,886	
Proceeds from issuance of stock acquisition rights			39	
Net cash provided by (used in) financing activities	(130,185)	129,203	110,132	(1,152,080)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(4,739)	2,137	5,551	(41,938)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(58,875)	35,778	(46,304)	(521,018)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	234,544	198,734	245,038	2,075,611
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY	14	32		124
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM SHARE EXCHANGES (Note 18)	13,240			117,168
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 188,923	¥ 234,544	¥ 198,734	$ 1,671,885

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2015 and 2014 consolidated financial statements to conform to the classifications used in 2016.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Daiwa House Industry Co., Ltd. (the "parent company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥113 to $1, the approximate rate of exchange at March 31, 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation - The consolidated financial statements as of March 31, 2016 include the accounts of the parent company and its 142 significant (119 in 2015 and 105 in 2014) subsidiaries (together, the "Company").

Under the control and influence concepts, those companies in which the parent company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

Osaka Castle Park Management Co., Ltd. was not consolidated, though the Company owns a majority of its voting rights, because the joint arrangement specifies that unanimous consent of the parties is required to determine the significant financial and business policies.

Investments in 25 (22 in 2015 and 20 in 2014) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Goodwill that represents the excess of the cost of an acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized over a period not exceeding 20 years.

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

During the year ended March 31, 2016, 27 subsidiaries were included in the consolidation as a result of new formation or acquisition and four subsidiaries were excluded from the consolidation as a result of liquidation or merger.

During the year ended March 31, 2015, 17 subsidiaries were included in the consolidation as a result of new formation or acquisition and three subsidiaries were excluded from the consolidation as a result of liquidation or merger.

b. *Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements* - In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" which was subsequently revised in February 2010 and March 2015 to reflect revisions of the relevant Japanese GAAP or accounting standards in other jurisdictions. PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—"FASB ASC") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

c. *Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method* - In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments" which was subsequently revised in line with the revisions to PITF No. 18 above. The standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

d. *Business Combinations* - In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(*a*) *Transactions with non-controlling interest* - A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of non-controlling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the non-controlling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(*b*) *Presentation of the consolidated balance sheet* - In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "non-controlling interest" under the revised accounting standard.

(*c*) *Presentation of the consolidated statement of income* - In the consolidated statement of income, "income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

(*d*) *Provisional accounting treatments for a business combination* - If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(*e*) *Acquisition-related costs* - Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with non-controlling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with non-controlling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with non-controlling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company applied the revised accounting standards and guidance for (a) transactions with non-controlling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (a) transactions with non-controlling interest and (e) acquisition-related costs were applied prospectively.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

As a result, the impact to consolidated financial statements for the year ended March 31, 2016, was not material.

e. *Cash and Cash Equivalents* - Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, all of which mature or become due within three months of the date of acquisition.

f. *Marketable and Investment Securities* - Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and ii) available-for-sale securities, which are not classified as held-to-maturity securities.

   Marketable available-for-sale securities are stated at fair value estimated by using the average market prices during the last month of the fiscal year, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The costs of their sales are determined by the moving-average method.

   Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

   Investment securities, investments in unconsolidated subsidiaries and associated companies and long-term loans receivable pledged as collateral for an associated company and other items were ¥48 million ($425 thousand), ¥35 million ($310 thousand) and ¥30 million ($265 thousand), respectively as of March 31, 2016. Stocks of consolidated subsidiaries used as collateral amounted to ¥373 million ($3,301 thousand) as of March 31, 2016, which have been eliminated in the consolidated financial statements. The amounts of investment securities loaned under securities lending agreements were ¥20,180 million ($178,584 thousand) as of March 31, 2016. Investment securities deposited in accordance with the Act on Assurance of Performance of Specified Housing Defect Warranty were ¥4,401 million ($38,947 thousand) as of March 31, 2016. Receivables, marketable securities and investments in capital (other assets) pledged as collateral as substitutes for deposits for certain construction and advertisement contracts were ¥164 million ($1,451 thousand), ¥0 million ($0 thousand) and ¥28 million ($248 thousand), respectively as of March 31, 2016.

g. *Short-Term Investments* - Short-term investments are time deposits, all of which mature or become due later than three months after the date of acquisition. Time deposits pledged as collateral as substitutes for deposits for certain construction and advertisement contracts were ¥2,239 million ($19,814 thousand) and ¥2,347 million as of March 31, 2016 and 2015, respectively.

h. *Inventories* - Inventories of land, residential homes and condominiums, and construction projects in progress are stated at the lower of cost, determined by the specific identified cost method, or net selling value. Construction materials and supplies are stated at the lower of cost, determined by the average method, or net selling value. Merchandises and products are stated at the lower of cost, determined by the retail method as generally.

i. *Property, Plant and Equipment* - Property, plant and equipment are stated at cost. Depreciation is computed substantially by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. Lease assets are depreciated by the straight-line method over the respective lease periods. The range of useful lives is principally from 15 to 50 years for buildings and structures, from 10 to 13 years for machinery and equipment, from five to 15 years for furniture and fixtures and from three to 20 years for lease assets. Buildings and structures pledged as collateral for lease deposits received of ¥18 million ($159 thousand) and other current liabilities of ¥1 million ($9 thousand) were ¥17 million ($150 thousand) as of March 31, 2016.

j. *Long-Lived Assets* - The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

k. *Leases* - In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993.

Lessee

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the consolidated balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

Lessor

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables and all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as lease investment assets.

All other leases are accounted for as operating leases.

l. *Accounting Standard for Retirement Benefits* - The parent company and certain of its subsidiaries have contributory funded defined benefit plans, unfunded retirement benefit plans and defined contribution plans. In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

Major changes are as follows:

(*a*) *Treatment in the balance sheet*

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(*b*) *Treatment in the statement of income and the statement of comprehensive income*

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period are treated as reclassification adjustments.

(c) *Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases*

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expect benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment and the method of estimating expected future salary increases from salary increases "expected to be certain" to salary increases "expected," and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, liability for retirement benefits as of April 1, 2014, increased by ¥14,419 million, and retained earnings as of April 1, 2014, decreased by ¥9,429 million. The impact to operating income and income before taxes and non-controlling interests for the year ended March 31, 2015, was not material.

m. *Asset Retirement Obligations* - In March 2008, the ASBJ issued ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard and guidance, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

n. *Construction Contracts* - Under ASBJ Statement No. 15, "Accounting Standard for Construction Contracts," and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts," the construction revenue and construction costs should be recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the consolidated balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

o. *Revenue and Profit Recognition Derived from Finance Lease Transaction* - The Company recognizes revenues and cost of sales from finance lease transactions at the time of receiving the lease payments.

p. *Income Taxes* - The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

q. *Appropriations of Retained Earnings* - Appropriations of retained earnings at each year-end are reflected in the consolidated financial statements of the following year after shareholders' approval has been obtained.

r. *Foreign Currency Transactions* - All short- and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. Foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

s. *Foreign Currency Financial Statements* - The consolidated balance sheet accounts of the consolidated foreign subsidiaries and associated companies are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date except for equity, which is translated at the historical exchange rate. Revenue and expense accounts of the consolidated foreign subsidiaries and associated companies are translated into Japanese yen at the current exchange rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity in the consolidated balance sheets.

t. *Derivatives and Hedging Activities* - The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates and interest rates. Foreign currency forward contracts, currency swaps and interest rate swaps are utilized by the Company to reduce foreign currency exchange and interest rate risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts employed to hedge foreign exchange exposures are measured at fair value and the unrealized gains/losses are recognized in income. Forward contracts applied for forecasted (or committed) transactions are also measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

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

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

u. *Per Share Information* - Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the year.

Diluted net income per share of common stock for the years ended March 31, 2016 is computed by using the weighted-average number of common shares outstanding adjusted to include the potentially dilutive effect of stock acquisition rights that were outstanding during the year. Diluted net income per share of common stock for the years ended March 31, 2015 and 2014 was not disclosed as the effect of including potential common shares is anti-dilutive.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

v. *Accounting Changes and Error Corrections* - In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies - When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively, unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in Presentation - When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates - A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and it is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors - When an error in prior-period financial statements is discovered, those financial statements are restated.

w. *New Accounting Pronouncements*

Tax Effect Accounting - On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Company expects to apply the new guidance on recoverability of deferred tax assets effective April 1, 2016, and is in the process of measuring the effects of applying the new guidance in future applicable periods.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Current:			
Government and corporate bonds	¥16	¥16	$142
Non-current:			
Equity securities	¥198,479	¥192,700	$1,756,451
Government and corporate bonds	4,687	4,151	41,478
Investments in limited liability partnership	5,514	5,381	48,804
Preferred fund certificates	28,564	26,455	252,779
Other	34	245	293
Total	¥237,278	¥228,932	$2,099,805

The costs and aggregate fair values of marketable and investment securities as of March 31, 2016 and 2015 were as follows:

	Millions of Yen			
	2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥60,834	¥124,608	¥148	¥185,294
Debt securities	2,293			2,293
Other	28	4		32
Held-to-maturity	4,401	242	1	4,642

	Millions of Yen			
	2015			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥60,694	¥126,055	¥2	¥186,747
Debt securities	1,990			1,990
Other	115	130		245
Held-to-maturity	3,969	157	1	4,125

	Thousands of U.S. Dollars			
	2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$538,354	$1,102,726	$1,310	$1,639,770
Debt securities	20,292			20,292
Other	248	35		283
Held-to-maturity	38,947	2,142	9	41,080

Available-for-sale securities whose fair values cannot be reliably determined as of March 31, 2016 and 2015 were as follows.

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Available-for-sale:			
Equity securities	¥13,185	¥ 5,953	$116,681
Preferred fund certificates	28,564	26,455	252,779
Investments in limited liability partnership and other	5,514	5,580	48,804
Bonds	8,000		70,796
Total	¥55,263	¥37,988	$489,060

The information for available-for-sale securities which were sold during the years ended March 31, 2016 and 2015 was as follows:

	Millions of Yen		
March 31, 2016	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥14,965	¥10,225	¥147

	Millions of Yen		
March 31, 2015	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥5,365	¥3,365	¥93

	Thousands of U.S. Dollars		
March 31, 2016	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$132,434	$90,487	$1,301

The impairment losses on available-for-sale equity securities for the years ended March 31, 2016, 2015 and 2014 were ¥1,287 million ($11,389 thousand), ¥921 million and ¥1,801 million, respectively.

4. INVENTORIES

Inventories as of March 31, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Real estate for sale	¥ 75,783	¥ 60,290	$ 670,646
Construction projects in progress	36,754	31,778	325,257
Real estate for sale in process	83,956	86,641	742,973
Land held:			
For resale	385,981	363,580	3,415,761
Under development	35,979	34,985	318,398
Undeveloped	647	647	5,726
Merchandise, construction materials and others	21,065	20,770	186,416
Total	¥640,165	¥598,691	$5,665,177

The Company engages in two principal business activities. The Company manufactures and constructs prefabricated houses and structures and also engages in various contracted construction projects, primarily for the construction of large-scale commercial and residential buildings. To further the business, the Company purchases land for development and resale.

5. LAND REVALUATION

Under the "Law of Land Revaluation," the parent company and certain subsidiaries elected a one-time revaluation of their own-use land to a value based on real estate appraisal information as of March 31, 2002. The resulting land revaluation difference represents unrealized depreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted, unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation difference account and related deferred tax liabilities.

At March 31, 2016 and 2015, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥12,350 million ($109,292 thousand) and ¥20,935 million, respectively.

6. LONG-LIVED ASSETS

The Company recognized impairment losses on property, plant and equipment for the following groups of assets in the years ended March 31, 2016, 2015 and 2014:

2016

Classification of Company	Type of Assets	Location	Millions of Yen	Thousands of U.S. Dollars
Assets used under sublease agreements	Buildings and structures and lease assets	Tokyo Prefecture and others	¥ 688	$ 6,088
Home center	Buildings and structures, machinery and equipment and furniture and fixtures	Hyogo Prefecture and others	218	1,929
Facilities of health & leisure	Buildings and structures, machinery and equipment, furniture and fixtures, land, lease assets and construction in progress	Saga Prefecture and others	1,807	15,991
Offices, factories and others	Buildings and structures, machinery and equipment, furniture and fixtures and lease assets	Osaka Prefecture and others	561	4,965
Idle assets	Land	Osaka Prefecture and others	14	124
Others	Buildings and structures, machinery and equipment and furniture and fixtures	Tokyo Prefecture and others	23	204
Total			¥3,311	$29,301

2015

Classification of Company	Type of Assets	Location	Millions of Yen
Assets used under sublease agreements	Buildings and structures, furniture and fixtures, land, intangible assets and lease assets	Shizuoka Prefecture and others	¥ 1,114
Home center	Buildings and structures, machinery and equipment, furniture and fixtures and land	Osaka Prefecture and others	5,226
Facilities of health & leisure	Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets	Hyogo Prefecture and others	3,185
Offices, factories and others	Buildings and structures, machinery and equipment, furniture and fixtures, land, intangible assets and lease assets	Kagawa Prefecture and others	944
Idle assets	Land	Tochigi Prefecture	126
Others	Buildings and structures, machinery and equipment, furniture and fixtures and intangible assets	Tokyo Prefecture and others	588
Total			¥11,183

2014

Classification of Company	Type of Assets	Location	Millions of Yen
Assets used under sublease agreements	Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets	Shizuoka Prefecture and others	¥2,049
Home center	Buildings and structures, machinery and equipment and furniture and fixtures	Nara Prefecture and others	348
Facilities of health & leisure	Buildings and structures, machinery and equipment, furniture and fixtures, land, intangible assets and lease assets	Saitama Prefecture and others	2,123
Offices, factories and others	Buildings and structures and furniture and fixtures	Nara Prefecture and others	42
Idle assets	Buildings and structures, machinery and equipment and land	Iwate Prefecture and others	920
Others	Buildings and structures, machinery and equipment, furniture and fixtures and land	Okayama Prefecture and others	129
Total			¥5,611

The Company classified the fixed assets by business control unit such as branch office, plant and each property leased, which controls its revenue and expenditures.
Book values of the above assets were written down to recoverable amounts due to decreases in the land prices or significant declines in profitability caused by severe competition.
The recoverable amount was measured at its net selling price determined by quotation from a third-party appraiser.

7. INVESTMENT PROPERTY

The Company owns rental properties such as rental housing, commercial facilities and business facilities in Tokyo and other areas. The net of rental income and operating expenses, gain on sales and disposal, and impairment loss for those rental properties were ¥24,467 million ($216,522 thousand), ¥143 million ($1,265 thousand) and ¥366 million ($3,239 thousand), respectively, for the year ended March 31, 2016. The net of rental income and operating expenses, loss on sales and disposal, and impairment loss for those rental properties were ¥19,802 million, ¥412 million and ¥707 million, respectively, for the year ended March 31, 2015. The net of rental income and operating expenses, gain on sales and disposal, and impairment loss for those rental properties were ¥17,513 million, ¥883 million and ¥2,538 million, respectively, for the year ended March 31, 2014.

In addition, the carrying amounts, changes in such balances and market prices of such properties are as follows:

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2015	Increase/Decrease	March 31, 2016	March 31, 2016
¥642,486	¥102,118	¥744,604	¥805,131

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2014	Increase/Decrease	March 31, 2015	March 31, 2015
¥537,170	¥105,316	¥642,486	¥682,889

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
April 1, 2015	Increase/Decrease	March 31, 2016	March 31, 2016
$5,685,717	$903,699	$6,589,416	$7,125,053

Notes:

1) Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.

2) Increase during the year ended March 31, 2016 primarily represents the acquisition of certain properties of ¥142,187 million ($1,258,292 thousand) and decrease primarily represents depreciation of ¥20,520 million ($181,593 thousand) and the transfer to inventories of ¥31,387 million ($277,761 thousand).

3) Increase during the year ended March 31, 2015 primarily represents the acquisition of certain properties of ¥193,315 million and decrease primarily represents depreciation of ¥19,516 million and the transfer to inventories of ¥81,755 million.

4) The fair value of properties was primarily measured by the Company in accordance with its Real Estate Appraisal Standard.

8. SHORT-TERM BANK LOANS, COMMERCIAL PAPER, AND LONG-TERM DEBT

The annual interest rates for the short-term bank loans ranged from 0.30% to 5.95% and 0.10% to 5.46% at March 31, 2016 and 2015, respectively. The collateralized short-term banks loans were ¥1,200 million ($10,620 thousand) at March 31, 2016. The annual interest rate for the commercial paper was 0.15% at March 31, 2015.

Long-term debt as of March 31, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Bonds, 0.25% to 1.54% (0.25% to 2.06% in 2015), due on various dates through 2021:			
Collateralized		¥ 500	
Unsecured	¥110,095	110,206	$ 974,294
Loans from banks, 0.20% to 6.05% (0.23% to 7.80% in 2015), due on various dates through 2032:			
Collateralized	61,276	61,166	542,265
Unsecured	266,302	248,766	2,356,655
Obligations under finance leases	24,092	30,389	213,202
Total	461,765	451,027	4,086,416
Less current portion	44,328	37,887	392,283
Long-term debt - net of current portion	¥417,437	¥413,140	$3,694,133

Annual maturities of long-term debt, excluding finance lease (see Note 19) as of March 31, 2016 were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 41,834	$ 370,212
2018	76,298	675,204
2019	76,901	680,540
2020	62,913	556,752
2021	51,334	454,283
2022 and thereafter	128,393	1,136,221
Total	¥437,673	$3,873,212

As of March 31, 2016, assets pledged as collateral for secured, short-term bank loans and long-term debt, excluding finance lease (see Note 19) were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥ 1,320	$ 11,681
Receivables	17,059	150,965
Real estate for sale	16,354	144,726
Real estate for sale in process	18,849	166,805
Other current assets	177	1,566
Buildings and structures	2,828	25,027
Machinery and equipment	50	442
Land	44,256	391,646
Total	¥100,893	$892,858

As is customary in Japan, a company maintains substantial deposit balances with banks with which it has borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal. In addition, collateral must be provided if requested by the lending banks, and certain banks have the right to offset cash deposited with them against any bank loan or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the bank concerned. The Company has never received any such request.

9. RETIREMENT AND PENSION PLANS

Under the unfunded employees' retirement benefit plan, employees of the parent company and certain subsidiaries terminating their employment are entitled, in most circumstances, to lump-sum severance payments determined by reference to wage rates at the time of termination and years of service. In addition, the parent company, together with certain subsidiaries and associated companies, has adopted non-contributory funded defined benefit pension plans and defined contribution pension plans covering most of their employees.

(1) The changes in defined benefit obligation as of March 31, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year (as previously reported)	¥438,903	¥472,253	$3,884,097
Cumulative effect of accounting change		14,419	
Balance at beginning of year (as restated)	438,903	486,672	3,884,097
Service cost	20,571	20,425	182,044
Interest cost	7,253	6,966	64,187
Adjustments for business restructurings	3,587	(1,252)	31,743
Actuarial losses	93,384	7,009	826,407
Decrease due to transfer to defined contribution plan		(69,128)	
Benefits paid	(11,586)	(11,789)	(102,531)
Balance at end of year	¥552,112	¥438,903	$4,885,947

(2) The changes in plan assets as of March 31, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥259,432	¥267,452	$2,295,858
Adjustments for business restructuring	106		938
Actuarial gains (losses)	(758)	28,056	(6,708)
Contributions from the employer	19,961	18,118	176,646
Contribution due to transfer to defined contribution		12,162	
The amount of assets to be transferred to the defined contribution pension plan		(59,734)	
Benefits paid	(6,857)	(6,622)	(60,681)
Balance at end of year	¥271,884	¥259,432	$2,406,053

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Funded defined benefit obligation	¥ 460,214	¥ 356,792	$ 4,072,690
Plan assets	(271,884)	(259,432)	(2,406,053)
	188,330	97,360	1,666,637
Unfunded defined benefit obligation	91,898	82,111	813,257
Net liability for defined benefit obligation	¥ 280,228	¥ 179,471	$ 2,479,894

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Liability for retirement benefits	¥280,228	¥179,471	$2,479,894
Net liability for defined benefit obligation	¥280,228	¥179,471	$2,479,894

(4) The components of net periodic benefit costs as of March 31, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥ 20,572	¥ 20,425	$ 182,053
Interest cost	7,253	6,966	64,186
Recognized actuarial losses (gains)	94,142	(21,047)	833,115
Net periodic benefit costs	¥121,967	¥ 6,344	$1,079,354

Recognized actuarial losses include the actuarial loss due to change discount rate in other expenses of ¥84,960 million ($751,858 thousand) for the year ended March 31, 2016.

(5) Plan assets as of March 31, 2016 and 2015

a. *Components of plan assets*

Plan assets consisted of the following:

	2016	2015
Domestic debt instruments	1%	1%
Overseas debt instruments	7	6
Domestic equity instruments	11	13
Overseas equity instruments	7	8
Cash and cash equivalents	17	21
Private equity fund	17	17
Hedge fund	19	16
General accounts	10	10
Others	11	8
Total	100%	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(6) Assumptions used as of March 31, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	Principally 0.8%	Principally 1.7%
Expected rate of return on plan assets	0.0%	0.0%
Expected rates of pay raises	2.2%	2.2%
Recognition period of actuarial gain/loss	1 year	1 year

(7) Defined contribution plans

Required contributions to defined contribution plans of the parent company and certain subsidiaries were ¥5,497 million ($48,646 thousand) and ¥4,875 million at March 31, 2016 and 2015, respectively.

(8) Actuarial loss due to a change of discount rate

Subject to trends in market interest rates at the end of the fiscal year, the parent company and certain subsidiaries changed the discount rate used to calculate the retirement benefit obligations of the employee pension plan and lump-sum severance payments mainly from 1.7% to 0.8%. The Group judges the necessity for a change of discount rate based on the materiality from the past, and in case that the change of discount rate needs to be implemented, the Group recognizes, in a lump-sum, the actuarial loss due to the change in other expenses for the fiscal year when it occurs.

10. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥31,052	¥28,997	$274,796
Additional provisions associated with the acquisition of property, plant and equipment	3,375	2,331	29,867
Reconciliation associated with passage of time	606	575	5,363
Reduction associated with settlement of asset retirement obligations	(316)	(851)	(2,796)
Balance at end of year	¥34,717	¥31,052	$307,230

11. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria including: (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. The parent company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

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

On July 30, 2013, the parent company issued and publicly offered 53,150 thousand shares at ¥1,717.12 per share. The amount of the issuance was ¥91,265 million in total, ¥45,268 million of which was recorded in common stock and the remaining ¥45,268 million was recorded in capital surplus. The parent company sold treasury stocks and publicly offered 20,000 thousand shares at ¥1,717.12 per share. The amount to be paid was ¥34,342 million in total.

On August 19, 2013, the parent company issued and allocated 7,350 thousand shares to a third party at ¥1,717.12 per share. The amount of the issuance was ¥12,621 million in total, ¥6,310 million of which was recorded in common stock and the remaining ¥6,310 million was recorded in capital surplus.

12. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2016 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2016	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS - Net income available to common shareholders	¥103,578	662,253	¥156.40	$1.38
Effect of dilutive securities:				
Stock acquisition rights		2,421		
Diluted EPS - Net income for computation	¥103,578	664,674	¥155.83	$1.38

Diluted net income per share of common stock for the years ended March 31, 2015 and 2014 was not disclosed due to no shares outstanding having possibilities of diluting stock value.

13. BUSINESS COMBINATIONS

(a) Overview of the business combination

(1) Name and business description of acquired company

Name of acquired company: Daiwa Odakyu Construction Co., Ltd. ("Daiwa Odakyu")

Business description: Construction, civil engineering, real estate

(2) Main reasons for the business combination

The Company and Daiwa Odakyu entered into a capital and business affiliation agreement (the "Capital and Business Affiliation Agreement") on March 11, 2008 under which the Company acquired part of common stock of Daiwa Odakyu on April 1, 2008, and which Daiwa Odakyu became an affiliated company in which the equity method is applied. The Company and Daiwa Odakyu deepened their cooperation and addressed the further strengthening of their sales forces and technological capabilities, as well as engaged in cost reduction activities.

Through the execution of the Capital and Business Affiliation Agreement, the Company and Daiwa Odakyu reached the conclusion that the Company shall make Daiwa Odakyu its wholly-owned subsidiary and accelerate decision-making to prepare for the uncertain environment surrounding the construction industry in Japan and achieve the further growth of the corporate value. Both companies resolved, at the respective meetings of their board of directors held on February 6, 2015, to implement the share exchange for the purpose of Daiwa Odakyu becoming the Company's wholly-owned subsidiary.

(3) Date of business combination

August 1, 2015

(4) Legal form of business combination

Share exchange

(5) Company name after the combination

The acquired company's name remains unchanged

(6) Percentage of voting rights acquired

Before the share exchange	33%
Additional acquisition on date of business combination	67%
After acquisition	100%

(7) Basis for determining the acquirer

It is based on the fact that the Company acquired 100% voting rights of Daiwa Odakyu and became its wholly-owned subsidiary.

(b) Period of operating results of the acquired company included in the consolidated financial statements

The operations of the acquired company for the three months from July 1, 2015 to September 30, 2016, were included in the consolidated statement of income for the year ended March 31, 2016.

(Daiwa Odakyu merged with Fujita Corporation, a subsidiary of the Company on October 1, 2015, and which Fujita Corporation was the surviving company and Daiwa Odakyu was dissolved.)

(c) Acquisition cost

	Millions of Yen	Thousands of U.S. Dollars
Market value of shares on the date of business combination before additional acquisition	¥ 8,100	$ 71,681
Market value of company's common stock on the date of business combination	16,594	146,850
Acquisition cost	¥24,694	$218,531

(d) Share exchange ratio, calculation method for the ratio, and number of shares delivered

(1) Share exchange ratio

0.40 shares of common stock of the Company were allotted and delivered for each share of common stock of Daiwa Odakyu; provided, however, that no shares were allotted in the share exchange for the shares of common stock of Daiwa Odakyu possessed by the Company, 7,168,000 shares (as of February 6, 2015).

(2) Calculation method for the ratio

In order to ensure the fairness and appropriateness of the share exchange ratio in the share exchange, the Company and Daiwa Odakyu, independently and separately, decided to request a valuation institution to calculate the share exchange ratio. The Company appointed SMBC Nikko Securities Inc. as its third-party valuation institution, Mori Hamada & Matsumoto as its legal advisor. Daiwa Odakyu appointed Nomura Securities Co., Ltd. as its third-party valuation institution and Nakamura, Tsunoda & Matsumoto as its legal advisor.

The Company and Daiwa Odakyu have continuously and carefully conducted consultations and discussions, considering the valuation reports on the share exchange ratio received from the third-party valuation institutions and the advice of the legal advisors appointed by both companies, as well as taking into account the applicable financial conditions, business results, and share price movements, etc. As the result, both companies reached the conclusion that the share exchange ratio was appropriate.

(3) Number of shares delivered

5,816,354 shares

(e) Acquisition-related costs

Advisory fees and other costs: ¥108 million ($956 thousand)

(f) Difference between the acquisition cost of the acquired company and the total amount of the acquisition costs of the respective transactions leading to the acquisition

Gain on step acquisition: ¥4,148 million ($36,708 thousand)

(g) Amount of goodwill recognized and goodwill amortization method and period

(1) Amount of goodwill

¥8,795 million ($77,831 thousand)

(2) Reasons for the goodwill incurred

Goodwill was recognized, as the market value of net assets on the date of the business combination fell below the acquisition cost.

(3) Goodwill amortization method and period

Straight-line amortization over 20 years

(h) Assets acquired and liabilities assumed on the date of business combination

	Millions of Yen	Thousands of U.S. Dollars
	2016	2016
Current assets	¥33,268	$294,407
Fixed assets	20,195	178,717
Total	¥53,463	$473,124
Current liabilities	¥30,288	$268,036
Long-term liabilities	7,276	64,389
Total	¥37,564	$332,425

14. SEGMENT INFORMATION

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

1. Description of reportable segments

   The Company's reportable segments are those for which separate financial information is available and regular evaluation by the parent company's management is being performed in order to decide how resources are allocated among the Company. Therefore, the Company consists of the following segments; Single-Family Houses Business, Rental Housing Business, Condominiums Business, Existing Home Business, Commercial Facilities Business, and Business and Corporate Facilities Business. The Single-Family Houses Business consists of orders of single-family houses and sales of packages of new houses with land. The Rental Housing Business consists of the Company's operations in rental housing development, construction, management, operation and real estate agency services. The Condominiums Business consists of development, sale and management of condominiums. The Existing Home Business consists of renovation and real estate agency services. The Commercial Facilities Business consists of development, construction, management and operation of commercial facilities. The Business and Corporate Facilities Business consists of development and construction of logistics, manufacturing facilities and medical and nursing care facilities, and building, management and operation of temporary facilities.

2. Methods of measurement for the amounts of sales, profit, assets and other items for each reportable segment

   The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

3. Information about sales, profit, assets and other items is as follows:

Millions of Yen — 2016

	Reportable Segment: Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Total	Other	Total	Reconciliations	Consolidated
Sales:											
Sales to external customers	¥376,219	¥878,617	¥279,118	¥92,653	¥487,484	¥ 733,453	¥2,847,544	¥345,357	¥3,192,901		¥3,192,901
Intersegment sales or transfers	2,088	1,544	193	2,856	8,050	2,902	17,633	113,514	131,147	¥(131,147)	
Total	¥378,307	¥880,161	¥279,311	¥95,509	¥495,534	¥ 736,355	¥2,865,177	¥458,871	¥3,324,048	¥(131,147)	¥3,192,901
Segment profit	¥ 16,515	¥ 81,903	¥ 15,797	¥11,297	¥ 80,333	¥ 68,004	¥ 273,849	¥ 9,574	¥ 283,423	¥ (40,322)	¥ 243,101
Segment assets	209,765	265,686	310,967	11,941	521,529	1,001,789	2,321,677	641,519	2,963,196	294,609	3,257,805
Other:											
Depreciation	3,573	7,816	1,790	155	16,408	8,333	38,075	17,261	55,336	1,180	56,516
Increase in property, plant and equipment and other assets	6,216	19,910	3,330	70	31,648	110,247	161,421	28,307	189,728	(1,416)	188,312

Millions of Yen — 2015

	Reportable Segment: Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Total	Other	Total	Reconciliations	Consolidated
Sales:											
Sales to external customers	¥371,978	¥770,508	¥230,662	¥89,993	¥444,604	¥578,667	¥2,486,412	¥324,303	¥2,810,715		¥2,810,715
Intersegment sales or transfers	3,365	2,447	683	1,672	11,614	2,903	22,684	102,210	124,894	¥(124,894)	
Total	¥375,343	¥772,955	¥231,345	¥91,665	¥456,218	¥581,570	¥2,509,096	¥426,513	¥2,935,609	¥(124,894)	¥2,810,715
Segment profit	¥ 8,841	¥ 69,597	¥ 10,819	¥9,977	¥ 67,279	¥ 38,444	¥ 204,957	¥ 10,290	¥ 215,247	¥ (34,895)	¥ 180,352
Segment assets	209,548	263,607	306,219	9,870	509,018	831,798	2,130,060	612,382	2,742,442	278,565	3,021,007
Other:											
Depreciation	3,529	7,043	2,023	175	15,169	7,964	35,903	16,510	52,413	871	53,284
Increase in property, plant and equipment and other assets	5,030	33,258	4,572	195	46,874	121,764	211,693	42,126	253,819	21,171	274,990

Millions of Yen — 2014

	Reportable Segment: Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Total	Other	Total	Reconciliations	Consolidated
Sales:											
Sales to external customers	¥392,761	¥686,424	¥242,309	¥84,666	¥409,398	¥585,097	¥2,400,655	¥299,663	¥2,700,318		¥2,700,318
Intersegment sales or transfers	1,720	2,332	484	2,036	12,584	7,094	26,250	94,281	120,531	¥(120,531)	
Total	¥394,481	¥688,756	¥242,793	¥86,702	¥421,982	¥592,191	¥2,426,905	¥393,944	¥2,820,849	¥(120,531)	¥2,700,318
Segment profit	¥ 13,389	¥ 64,279	¥ 10,706	¥ 9,311	¥ 60,765	¥ 26,935	¥ 185,385	¥ 14,083	¥ 199,468	¥ (35,891)	¥ 163,577
Segment assets	220,156	245,016	267,644	11,837	450,564	690,343	1,885,560	562,090	2,447,650	218,297	2,665,947
Other:											
Depreciation	3,027	6,701	1,843	149	14,201	6,357	32,278	15,517	47,795	739	48,534
Increase in property, plant and equipment and other assets	6,371	13,451	5,366	404	44,043	113,188	182,823	34,155	216,978	381	217,359

	Thousands of U.S. Dollars										
	2016										
	Reportable Segment										
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Total	Other	Total	Reconciliations	Consolidated
Sales:											
Sales to external customers	$3,329,372	$7,775,371	$2,470,071	$819,938	$4,314,018	$6,490,735	$25,199,505	$3,056,256	$28,255,761		$28,255,761
Intersegment sales or transfers	18,478	13,664	1,708	25,274	71,239	25,681	156,044	1,004,549	1,160,593	$(1,160,593)	
Total	$3,347,850	$7,789,035	$2,471,779	$845,212	$4,385,257	$6,516,416	$25,355,549	$4,060,805	$29,416,354	$(1,160,593)	$28,255,761
Segment profit	$ 146,151	$ 724,805	$ 139,797	$ 99,973	$ 710,912	$ 601,805	$ 2,423,443	$ 84,726	$ 2,508,169	$ (356,832)	$ 2,151,337
Segment assets	1,856,327	2,351,204	2,751,920	105,673	4,615,301	8,865,389	20,545,814	5,677,159	26,222,973	2,607,160	28,830,133
Other:											
Depreciation	31,619	69,168	15,841	1,372	145,204	73,743	336,947	152,752	489,699	10,443	500,142
Increase in property, plant and equipment and other assets	55,009	176,195	29,469	619	280,071	887,141	1,428,504	250,505	1,679,009	(12,531)	1,666,478

Notes:

1) "Other" includes construction support, health and leisure, city hotels, overseas businesses and others.

2) Reconciliations to segment profit of ¥40,322 million ($356,832 thousand), ¥34,895 million and ¥35,891 million include intersegment eliminations of ¥1,563 million ($13,832 thousand), ¥447 million and ¥1,076 million, the amortization of goodwill of ¥717 million ($6,345 thousand), ¥716 million and ¥718 million and the corporate expenses not allocated to each business segment of ¥39,476 million ($349,345 thousand), ¥35,164 million and ¥35,533 million for the years ended March 31, 2016, 2015 and 2014, respectively. Corporate expenses mainly consist of general and administrative expenses and experiment and research expenses not attributable to any reportable business segments.

   Reconciliations to segment assets of ¥294,609 million ($2,607,160 thousand), ¥278,565 million and ¥218,297 million include intersegment eliminations of ¥217,041 million ($1,920,716 thousand), ¥237,311 million and ¥199,693 million and the corporate assets of ¥511,650 million ($4,527,876 thousand), ¥515,876 million and ¥417,990 million for the years ended March 31, 2016, 2015 and 2014, respectively. Corporate assets mainly consist of the Company's surplus funds (cash and cash equivalents), the Company's long-term investment funds (investment securities) and the assets associated with Administration Headquarters of the Company.

   Reconciliations to depreciation of ¥1,180 million ($10,443 thousand), ¥871 million and ¥739 million include intersegment eliminations of ¥424 million ($3,752 thousand), ¥401 million and ¥377 million and the depreciation attributable to corporate assets of ¥1,604 million ($14,195 thousand), ¥1,272 million and ¥1,116 million for the years ended March 31, 2016, 2015 and 2014, respectively.

   Reconciliations to increase in property, plant and equipment and other assets of ¥1,416 million ($12,531 thousand), ¥21,171 million and ¥381 million include intersegment eliminations of ¥1,986 million ($17,575 thousand), ¥1,346 million and ¥715 million and the headquarters' capital investments in properties and equipment of ¥570 million ($5,044 thousand), ¥22,517 million and ¥1,096 million for the years ended March 31, 2016, 2015 and 2014, respectively.

3) Consolidated amounts of segment profit as mentioned above correspond to the amounts of operating income in the consolidated statement of income.

Impairment losses of assets

	Millions of Yen								
	2016								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/ Corporate	Consolidated
Impairment losses of assets	¥132	¥158	¥32		¥460	¥399	¥2,130		¥3,311

	Millions of Yen								
	2015								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/ Corporate	Consolidated
Impairment losses of assets	¥290	¥286	¥362		¥1,106	¥159	¥8,980		¥11,183

	Millions of Yen								
	2014								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/ Corporate	Consolidated
Impairment losses of assets	¥138	¥601	¥518	¥7	¥743	¥997	¥2,607		¥5,611

	Thousands of U.S. Dollars								
	2016								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/ Corporate	Consolidated
Impairment losses of assets	$1,168	$1,398	$283		$4,071	$3,531	$18,850		$29,301

Amortization of goodwill

	Millions of Yen								
	2016								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/ Corporate	Consolidated
Amortization of goodwill		¥ (8)	¥ 1,118		¥ 428	¥ 2,001	¥ (281)		¥ 3,258
Goodwill at March 31, 2016		(95)	15,404		4,226	37,049	(2,171)		54,413

	Millions of Yen								
	2015								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/ Corporate	Consolidated
Amortization of goodwill		¥ (8)	¥ 1,309		¥ 535	¥ 1,647	¥ (250)		¥ 3,233
Goodwill at March 31, 2015		(103)	17,070		4,654	29,646	(3,130)		48,137

	Millions of Yen								
	2014								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/ Corporate	Consolidated
Amortization of goodwill		¥ (8)	¥ 1,036		¥ 526	¥ 1,646	¥ (245)		¥ 2,955
Goodwill at March 31, 2014		(112)	17,976		5,465	31,293	(4,711)		49,911

	Thousands of U.S. Dollars								
	2016								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/ Corporate	Consolidated
Amortization of goodwill		$ (71)	$ 9,894		$ 3,788	$ 17,708	$ (2,487)		$ 28,832
Goodwill at March 31, 2016		(841)	136,319		37,398	327,867	(19,212)		481,531

15. OTHER INCOME (EXPENSES): OTHER - NET

"Other income (expenses): Other - net" for the years ended March 31, 2016, 2015 and 2014 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2016	2015	2014	2016
Real estate acquisition tax and other taxes	¥(1,672)	¥(1,094)	¥(1,749)	$(14,796)
Allowance for doubtful accounts	(960)	(318)	(652)	(8,496)
Equity in earnings (losses) of associated companies	(575)	12	1,453	(5,089)
Gain on step acquisitions	4,148	5	93	36,708
Merger expenses	(1,190)	(1,780)		(10,530)
Gain on sales of investment in unconsolidated subsidiaries and associated companies		263		
Other - net	893	1,119	(2,221)	7,902
Total	¥ 644	¥(1,793)	¥(3,076)	$ 5,699

16. INCOME TAXES

The parent company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 33.0% for the year ended March 31, 2016 and 35.6% for the year ended March 31, 2015.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
CURRENT:			
Deferred tax assets:			
Write-down of real estate for sale	¥ 7,141	¥ 4,923	$ 63,195
Accrued bonuses	14,024	12,605	124,105
Accrued enterprise tax	4,516	2,494	39,965
Other	14,719	15,680	130,257
Less valuation allowance	(4,993)	(2,865)	(44,186)
Deferred tax assets	35,407	32,837	313,336
Deferred tax liabilities - other	(6)	(3)	(53)
Net deferred tax assets	¥35,401	¥32,834	$313,283

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
NON-CURRENT:			
Deferred tax assets:			
Liability for employees' retirement benefits	¥ 86,516	¥ 58,342	$ 765,629
Unrealized gains on sales of property, plant and equipment	8,900	8,560	78,761
Excess of depreciation of property, plant and equipment	22,621	24,009	200,186
Loss carryforwards	28,581	31,996	252,929
Other	45,318	43,725	401,044
Less valuation allowance	(55,418)	(68,669)	(490,425)
Deferred tax assets	136,518	97,963	1,208,124
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	(3,049)	(1,482)	(26,982)
Net unrealized gain on available-for-sale securities	(36,313)	(38,132)	(321,354)
Other	(9,784)	(8,535)	(86,584)
Deferred tax liabilities	(49,146)	(48,149)	(434,920)
Net deferred tax assets	¥ 87,372	¥ 49,814	$ 773,204

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2016, to approximately 30.8% and for the fiscal year beginning on or after April 1, 2018, to approximately 30.6%. The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities, by ¥5,318 million ($47,062 thousand), increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥2,030 million ($17,965 thousand), and increase land revaluation deference by ¥1,112 million ($9,841 thousand), with a decrease of ¥1,112 million ($9,841 thousand) in related deferred tax liability, in the consolidated balance sheet as of March 31, 2016, and to increase income taxes-deferred in the consolidated statement of income for the year then ended by ¥7,352 million ($65,062 thousand).

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates for the year ended March 31, 2016 was insignificant and not disclosed.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2015 is as follows:

	2015
Normal effective statutory tax rates	35.6%
Increase (decrease) in tax rates due to:	
Permanently non-deductible expenses	0.8
Non-taxable dividend income	(0.1)
Per capita levy	0.6
Equity in earnings of associated companies	(0.0)
Increase in valuation allowance	0.3
Tax credit for corporate tax	(0.2)
Reversal of land revaluation difference	(0.6)
Effect of reduction of income tax rates on deferred tax assets	5.1
Other - net	0.0
Actual effective tax rates	41.5%

As of March 31, 2016, certain subsidiaries have tax loss carryforwards aggregating to approximately ¥94,623 million ($837,372 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 131	$ 1,159
2018	38,033	336,575
2019	7,958	70,425
2020	13,614	120,478
2021	20,480	181,239
2022 and thereafter	14,407	127,496
Total	¥94,623	$837,372

17. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥7,998 million ($70,779 thousand), ¥7,731 million and ¥7,329 million for the years ended March 31, 2016, 2015 and 2014, respectively.

18. SUPPLEMENTAL CASH FLOW INFORMATION

For the year ended March 31, 2016

Nagareyama Kyodokaihatsu Co., Ltd. was acquired. Assets and liabilities of this company at the time of consolidation, cost of purchase of investments in subsidiaries and purchases of a consolidated subsidiary were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2016	2016
Assets	¥12,564	$111,185
Liabilities	(3,660)	(32,389)
Cost of purchase of investments in subsidiaries	8,904	78,796
Payable for cost of purchase of investments in subsidiaries	(100)	(885)
Cash and cash equivalents of consolidated subsidiary	(79)	(699)
Payments for purchases of shares of newly consolidated subsidiary	¥ 8,725	$ 77,212

For the year ended March 31, 2015

Daiwa House Parking Co., Ltd. (formerly TOMO Co., Ltd.) was acquired. Assets and liabilities of this company at the time of consolidation, cost of purchase of investments in subsidiaries and purchases of a consolidated subsidiary were as follows:

	Millions of Yen
	2015
Assets	¥ 2,086
Liabilities	(1,524)
Goodwill	1,204
Non-controlling interests	(48)
Cost of purchase of investments in subsidiaries	1,718
Carrying value of previously held equity interest	(3)
Gain on step acquisitions	(5)
Additional cash paid for the capital	1,710
Cash paid in previous period for the capital	(14)
Cash and cash equivalents of consolidated subsidiary	(489)
Payments for purchases of shares of newly consolidated subsidiary	¥ 1,207

For the year ended March 31, 2014

Cosmos Initia Co., Ltd. and six subsidiary companies were acquired. Assets and liabilities of these companies at the time of consolidation, cost of purchase of investments in subsidiaries and purchases of consolidated subsidiaries were as follows:

	Millions of Yen
	2014
Assets	¥ 47,916
Liabilities	(35,549)
Goodwill	2,765
Non-controlling interests	(4,439)
Cost of purchase of investments in subsidiaries	10,693
Carrying value of previously held equity interest	(1,055)
Gain on step acquisitions	(93)
Additional cash paid for the capital	9,545
Subscription for capital increase through third-party share allotment of common stock	(9,500)
Purchase of treasury stock by the newly consolidated subsidiaries	9,150
Cost of purchase of investments in subsidiaries	9,195
Cash and cash equivalents of consolidated subsidiaries	(6,947)
Increase in cash and cash equivalents from issuance of common stock	350
Implemented loans receivable to the newly consolidated subsidiaries between the day regarded as the acquisition date and the day when the Company obtains control	2,500
Payments for purchases of shares of newly consolidated subsidiaries	¥ 5,098

Daiwa House Parking Co., Ltd. (formerly Daiyoshi Trust Co., Ltd.) was acquired. Assets and liabilities of this company at the time of consolidation, cost of purchase of investments in subsidiaries and purchases of a consolidated subsidiary were as follows:

	Millions of Yen
	2014
Assets	¥ 9,652
Liabilities	(6,806)
Goodwill	180
Non-controlling interests	(168)
Cost of purchase of investments in subsidiaries	2,858
Cash paid in previous period for the capital	(25)
Cash and cash equivalents of consolidated subsidiary	(811)
Payments for purchases of shares of newly consolidated subsidiary	¥ 2,022

Major noncash transactions

During the year ended March 31, 2016, Daiwa Odakyu Construction Co., Ltd. was acquired by a share exchange (Merged with Fujita Corporation in October, 2015). Assets and liabilities of company at the acquisition date were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2016	2016
Current assets	¥ 33,268	$ 294,407
Fixed assets	20,195	178,717
Total	¥ 53,463	$ 473,124
Current liabilities	¥(30,288)	$(268,036)
Long-term liabilities	(7,276)	(64,389)
Total	¥(37,564)	$(332,425)

Current assets include cash and cash equivalents at the acquisition date of ¥13,240 million ($117,169 thousand), which are recorded in "Increase in cash and cash equivalents resulting from share exchanges."

19. LEASES

Finance Leases:

(Lessee)

The Company leases certain machinery, computer equipment, office space and other assets.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2016, 2015 and 2014 were ¥36,013 million ($318,699 thousand), ¥26,096 million and ¥26,555 million, respectively.

For the years ended March 31, 2016, 2015 and 2014, the Company recorded an impairment loss of ¥295 million ($2,611 thousand), ¥330 million and ¥469 million, respectively, on certain leased property held under finance leases that do not transfer ownership and a corresponding allowance for impairment loss on leased property, which is included in long-term liabilities - other.

Obligations under finance leases were as follows:

	Millions of Yen 2016	Thousands of U.S. Dollars 2016
Due within one year	¥ 2,494	$ 22,071
Due after one year	21,598	191,133
Total	¥24,092	$213,204

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

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the consolidated balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to any lessee whose lease inception was before March 31, 2008 to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the consolidated financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information regarding leased property whose lease inception was before March 31, 2008 was as follows:

	Millions of Yen			
	2016			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥264,609	¥1,338	¥233	¥266,180
Accumulated depreciation	153,579	1,137	201	154,917
Accumulated impairment loss	5,921			5,921
Net leased property	¥105,109	¥ 201	¥ 32	¥105,342

	Millions of Yen			
	2015			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥279,308	¥1,621	¥375	¥281,304
Accumulated depreciation	151,853	1,260	310	153,423
Accumulated impairment loss	6,470	8		6,478
Net leased property	¥120,985	¥ 353	¥ 65	¥121,403

	Thousands of U.S. Dollars			
	2016			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	$2,341,672	$11,841	$2,062	$2,355,575
Accumulated depreciation	1,359,106	10,062	1,779	1,370,947
Accumulated impairment loss	52,398			52,398
Net leased property	$ 930,168	$ 1,779	$ 283	$ 932,230

Obligations under finance leases as of March 31, 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Due within one year	¥ 22,249	¥ 17,693	$ 196,894
Due after one year	107,709	130,653	953,177
Total	¥129,958	¥148,346	$1,150,071

The allowance for impairment loss on leased property of ¥3,019 million ($26,717 thousand), ¥3,544 million and ¥3,938 million as of March 31, 2016, 2015 and 2014, respectively, is not included in the obligations under finance leases.

Depreciation expense, interest expense and other information under finance leases:

	Millions of Yen			Thousands of U.S. Dollars
	2016	2015	2014	2016
Depreciation expense	¥12,625	¥13,454	¥13,826	$111,726
Interest expense	7,401	9,031	9,048	65,495
Total	¥20,026	¥22,485	¥22,874	$177,221
Lease payments	¥21,967	¥22,867	¥23,652	$194,398
Reversal of allowance for impairment loss on leased property	818	723	680	7,239
Impairment loss	292	330	378	2,584

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statement of income, are computed by the straight-line method and the interest method, respectively.

(Lessor)

The net lease investment assets were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Gross lease receivables	¥25,789	¥29,805	$228,221
Unguaranteed residual values	1,155	1,479	10,221
Unearned interest income	(7,682)	(7,434)	(67,982)
Lease investment assets, current	¥19,262	¥23,850	$170,460

Maturities of lease receivables for finance leases that were deemed to transfer ownership of the leased property to the lessee as of March 31, 2016 are as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 367	$ 3,248
2018	363	3,212
2019	372	3,292
2020	933	8,257
2021	112	991
2022 and thereafter	555	4,912
Total	¥2,702	$23,912

Maturities of lease investment assets for finance leases that were deemed not to transfer ownership of the leased property to the lessee as of March 31, 2016 are as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 4,640	$ 41,062
2018	4,001	35,407
2019	3,190	28,230
2020	2,205	19,513
2021	1,626	14,389
2022 and thereafter	10,127	89,620
Total	¥25,789	$228,221

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

Property and equipment leased to customers under finance lease arrangements mentioned above as of March 31, 2016 and 2015 consisted of the following:

	Machinery and Equipment		
	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Acquisition cost	¥36	¥136	$319
Accumulated depreciation	30	122	266
Net leased property	¥ 6	¥ 14	$ 53

Future rental income under finance leases as of March 31, 2016 and 2015 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Due within one year	¥ 4	¥ 9	$35
Due after one year	2	6	18
Total	¥ 6	¥15	$53

Rental income, interest income and depreciation expense under finance leases at March 31, 2016, 2015 and 2014 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2016	2015	2014	2016
Rental income	¥ 9	¥64	¥252	$80
Interest income	1	3	10	9
Depreciation expense	8	61	242	71

Imputed interest income is excluded from the amount of rental income under finance leases.

Operating Leases:

Obligations and future rental income under non-cancellable operating leases as of March 31, 2016 and 2015 were as follows:

(Lessee)

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Due within one year	¥ 49,974	¥ 48,648	$ 442,248
Due after one year	445,797	444,167	3,945,106
Total	¥495,771	¥492,815	$4,387,354

(Lessor)

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Due within one year	¥ 3,372	¥ 3,556	$ 29,841
Due after one year	207,178	197,272	1,833,433
Total	¥210,550	¥200,828	$1,863,274

20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Company policy for financial instruments

The Company uses financial instruments, mainly loans from banks, bonds and commercial paper, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments, and risk management for financial instruments

Receivables, such as trade notes, trade accounts and lease deposits, are exposed to customer credit risk. The Company manages its credit risk by monitoring payment terms and balances of customers to identify the default risk of customers at an early stage.

Marketable and investment securities, such as stock, certificates of deposit, debt securities, investment trusts and investments in capital of partnership, are exposed to issuers' credit risk and price fluctuation risk. The Company manages its credit risk and price fluctuation risk by monitoring market values and the financial position of issuers on a regular basis.

Payment terms of payables, such as trade notes and trade accounts, are mainly less than one year. Lease deposits received consist mainly of the deposits of the real estate business. The loans from banks and bonds are used mainly for investment in plant, equipment and leased property. Maturities of bank loans and bonds are mainly less than 10 years after the consolidated balance sheet date. Some of such bank loans and payables are exposed to liquidity risk.

The Company manages its liquidity risk by holding adequate volumes of liquid assets along with adequate financial planning by the financial department.

With respect to loans from banks dominated in foreign currencies, the Company enters into foreign currency swap contracts to hedge foreign currency fluctuations.

With respect to floating-rate loans from banks, the Company enters into interest rate swap contracts to hedge interest rate fluctuations.

Based on internal guidelines, the Company enters into interest rate and foreign currency swaps to hedge fluctuation risks of interest rate or foreign currency. It is the Company's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities. Because the counterparties to those derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

(3) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Also, please see Note 21 for the details of fair value for derivatives and derivative risks.

(a) Fair value of financial instruments

	Millions of Yen		
	2016		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 188,923	¥ 188,923	
Short-term investments	3,648	3,648	
Receivables	281,756		
Allowance for doubtful receivables	(905)		
	280,851	280,842	¥ (9)
Marketable and investment securities:			
Held-to-maturity	4,401	4,642	241
Investments in unconsolidated subsidiaries and associated companies	1,322	636	(686)
Available-for-sale	187,619	187,619	
Lease deposits	205,660		
Allowance for doubtful accounts	(536)		
	205,124	203,444	(1,680)
Total	¥ 871,888	¥ 869,754	¥(2,134)
Short-term bank loans	¥ 54,291	¥ 54,291	
Payables	495,378	495,378	
Income taxes payable	60,429	60,429	
Long-term debt (Bonds)	110,096	110,966	¥ 870
Long-term debt (Loans from banks)	327,578	332,184	4,606
Lease deposits received	249,950	247,483	(2,467)
Total	¥1,297,722	¥1,300,731	¥ 3,009
Derivatives	¥(19)	¥(19)	

	Millions of Yen		
	2015		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 234,544	¥ 234,544	
Short-term investments	4,232	4,232	
Receivables	244,046		
Allowance for doubtful receivables	(2,454)		
	241,592	241,315	¥ (277)
Marketable and investment securities:			
Held-to-maturity	3,969	4,125	156
Investments in unconsolidated subsidiaries and associated companies	5,721	7,467	1,746
Available-for-sale	188,982	188,982	
Lease deposits	199,563		
Allowance for doubtful accounts	(500)		
	199,063	193,626	(5,437)
Total	¥ 878,103	¥ 874,291	¥(3,812)
Short-term bank loans	¥ 70,893	¥ 70,893	
Commercial paper	72,000	72,000	
Payables	446,752	446,752	
Income taxes payable	27,416	27,416	
Long-term debt (Bonds)	110,706	111,171	¥ 465
Long-term debt (Loans from banks)	309,932	312,510	2,578
Lease deposits received	241,355	234,592	(6,763)
Total	¥1,279,054	¥1,275,334	¥(3,720)
Derivatives	¥136	¥136	

	Thousands of U.S. Dollars		
	2016		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 1,671,885	$ 1,671,885	
Short-term investments	32,283	32,283	
Receivables	2,493,416		
Allowance for doubtful receivables	(8,009)		
	2,485,407	2,485,327	$ (80)
Marketable and investment securities:			
Held-to-maturity	38,947	41,080	2,133
Investments in unconsolidated subsidiaries and associated companies	11,699	5,628	(6,071)
Available-for-sale	1,660,345	1,660,345	
Lease deposits	1,820,000		
Allowance for doubtful accounts	(4,743)		
	1,815,257	1,800,390	(14,867)
Total	$ 7,715,823	$ 7,696,938	$(18,885)
Short-term bank loans	$ 480,451	$ 480,451	
Payables	4,383,876	4,383,876	
Income taxes payable	534,770	534,770	
Long-term debt (Bonds)	974,301	982,000	$ 7,699
Long-term debt (Loans from banks)	2,898,920	2,939,681	40,761
Lease deposits received	2,211,947	2,190,115	(21,832)
Total	$11,484,265	$11,510,893	$ 26,628
Derivatives	$(168)	$(168)	

Cash and cash equivalents and short-term investments

The carrying values of cash and cash equivalents and short-term investments approximate fair value because of their short-term maturities.

Receivables

The fair values of receivables are measured at the amount to be received at maturity, discounted at the Company's assumed corporate discount rate.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for marketable and investment securities by classification is included in Note 3.

Lease deposits

The fair values of lease deposits are measured at the amount to be received at maturity, discounted at the Company's assumed corporate discount rate.

Short-term bank loans, commercial paper, payables and income taxes payable

The carrying values of short-term bank loans, commercial paper, payables and income taxes payable approximate fair value because of their short-term maturities.

Long-term debt (Bonds)

The fair values of bonds are based on quoted prices in active markets.

Long-term debt (Loans from banks)

The carrying values of long-term loans from banks with floating rates approximate fair value because they reflect the market interest rates timely. The fair values of loans from banks with fixed rates are determined by discounting the cash flows related to the debt at the Company's assumed corporate discount rate. The fair values of loans from banks with the interest rate swap or currency swap transactions are determined by the discounting the total amounts of principal and interest payment related to the debt at the Company's assumed corporate discount rate.

Lease deposits received

The fair values of lease deposits received are measured at the amount to be paid at maturity, discounted at the Company's assumed corporate discount rate.

Derivatives

The information regarding the fair value for derivatives is included in Note 21.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Equity securities	¥82,409	¥77,324	$729,281
Preferred fund certificates	31,715	29,455	280,662
Bonds	8,000		70,794
Investments in limited liability partnership and other	5,514	5,580	48,803

(4) Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
	2016			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥188,923			
Short-term investments	3,648			
Receivables	264,065	¥10,219	¥ 6,051	¥ 1,421
Marketable and investment securities:				
Held-to-maturity	0	1,720	2,868	10
Available-for-sale securities with contractual maturities	17	2,156		120
Lease deposits	22,670	70,118	58,282	60,683
Total	¥479,323	¥84,213	¥67,201	¥62,234

	Millions of Yen			
	2015			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥234,544			
Short-term investments	4,232			
Receivables	225,706	¥ 8,665	¥ 7,061	¥ 2,614
Marketable and investment securities:				
Held-to-maturity		900	3,284	10
Available-for-sale securities with contractual maturities	16	2,123	50	
Lease deposits	26,646	62,966	58,598	58,724
Total	¥491,144	¥74,654	¥68,993	¥61,348

	Thousands of U.S. Dollars			
	2016			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$1,671,885			
Short-term investments	32,283			
Receivables	2,336,858	$ 90,434	$ 53,549	$ 12,575
Marketable and investment securities:				
Held-to-maturity	0	15,221	25,381	88
Available-for-sale securities with contractual maturities	150	19,080		1,062
Lease deposits	200,620	620,513	515,769	537,018
Total	$4,241,796	$745,248	$594,699	$550,743

Please see Note 8 for annual maturities of bonds and loans from banks.

21. DERIVATIVES

The Company enters into currency swap contracts and foreign currency forward contracts to hedge foreign currency fluctuation risk associated with certain assets and liabilities denominated in foreign currencies. The Company enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

It is the Company's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities.

Derivatives are subject to market risk and credit risk. Because the counterparties to those derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

The Company implemented a risk control system for derivatives primarily to control the purpose, limitation and selection of counterparties. The system's primary function is to avoid excess risks associated with derivatives. Each derivative transaction, which is based on these internal policies, is reported to the Director of the Financing Department, and the execution and control of derivatives are managed by the Finance Section of the Company.

Derivative transactions to which hedge accounting was not applied at March 31, 2016 were as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign exchange forwards								
Buying Mexican Peso	¥1,495		¥(1)	¥(11)	$13,230		$(9)	$(9)

Derivative transactions to which hedge accounting was applied as of March 31, 2016 and 2015 were as follows:

		Millions of Yen						Thousands of U.S. Dollars		
		2016			2015			2016		
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps:										
(fixed rate payment, floating rate receipt)	Long-term debt	¥32,454	¥31,695		¥32,453	¥31,698		$287,204	$280,487	
(floating rate payment, fixed rate receipt)	(Loans from banks)	6,960	6,960		6,960	6,960		61,593	61,593	
Total		¥39,414	¥38,655		¥39,413	¥38,658		$348,797	$342,080	
Currency swaps:	Long-term debt									
(payment in yen, receipt in U.S. dollars)	(Loans from banks)	¥10,000	¥10,000		¥10,000	¥10,000		$ 88,496	$ 88,496	
Interest rate and currency swaps:	Long-term debt									
(fixed rate payment in yen, floating rate receipt in U.S. dollars)	(Loans from banks)	¥20,000	¥20,000		¥20,000	¥20,000		$176,991	$176,991	
Foreign currency forward contracts:										
Buying U.S. dollars	Scheduled transaction	¥ 111		¥ (6)	¥ 1,406		¥156	$ 982		$ (53)
Buying Indian rupees	denominated in foreign	117		(11)	457	¥ 117	(20)	1,035		(97)
Others	currencies	4		(0)				35		(0)
Total		¥ 232		¥(17)	¥ 1,863	¥ 117	¥136	$ 2,052		$(150)

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The above interest rate swaps, currency swaps and interest rate and currency swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap agreements are recognized and included in interest expense or income, and long-term debts (Loans from banks) denominated in a foreign currency are translated at the contracted rates. In addition, the fair values of such interest rate swaps, currency swaps and interest rate and currency swaps in Note 20 are included in those of the hedged items (i.e., long-term debt).

22. CONTINGENCIES

At March 31, 2016, contingent liabilities for notes endorsed with recourse and loans guaranteed in the ordinary course of business amounted to ¥391 million ($3,460 thousand) and ¥18,986 million ($168,018 thousand), respectively. Included in loans guaranteed were customers' housing loans from banks in the amount of ¥18,118 million ($160,336 thousand).

23. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2016, 2015 and 2014 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2016	2015	2014	2016
Unrealized gain on available-for-sale securities:				
Gain arising during the year	¥ 6,467	¥ 49,167	¥ 38,746	$ 57,230
Reclassification adjustments to profit or loss	(8,737)	(3,253)	1,774	(77,318)
Amount before income tax effect	(2,270)	45,914	40,520	(20,088)
Income tax effect	2,903	(12,094)	(14,414)	25,690
Total	¥ 633	¥ 33,820	¥ 26,106	$ 5,602
Deferred gain (loss) on derivatives under hedge accounting:				
Gain (loss) arising during the year	¥ (106)	¥ 120	¥ 16	$ (938)
Income tax effect	57	(46)	(6)	504
Total	¥ (49)	¥ 74	¥ 10	$ (434)
Land revaluation difference:				
Income tax effect	¥ 1,112	¥ 2,222		$ 9,841
Foreign currency translation adjustments:				
Adjustments arising during the year	¥(2,965)	¥ 5,579	¥ 9,776	$(26,239)
Reclassification adjustments to loss	(1,747)	(28)		(15,460)
Total	¥(4,712)	¥ 5,551	¥ 9,776	$(41,699)
Share of other comprehensive income (loss) in associated companies:				
Income (loss) arising during the year	¥(3,624)	¥ 6,687	¥ 10,210	$(32,071)
Reclassification adjustments to profit or loss	(93)	43	(10)	(823)
Total	¥(3,717)	¥ 6,730	¥ 10,200	$(32,894)
Total other comprehensive income	¥(6,733)	¥ 48,397	¥ 46,092	$(59,584)

24. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2016 will be approved at the parent company's shareholders' meeting held on June 28, 2016:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥45.00 ($0.40) per share	¥29,871	$264,345

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