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

Consolidated Financial Statements as of and for the Year Ended March 31, 2017, and Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Yodoyabashi Mitsui Building
4-1-1 Imabashi, Chuo-ku
Osaka 541-0042
Japan

Tel: +81 (6) 4560 6000
Fax: +81 (6) 4560 6001
www.deloitte.com/jp/en

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, 2017, 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, 2017, 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 20, 2017

Member of
Deloitte Touche Tohmatsu Limited

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

Consolidated Balance Sheet
March 31, 2017

ASSETS	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars (Note 1) 2017
CURRENT ASSETS:			
Cash and cash equivalents (Notes 8 and 19)	¥ 213,310	¥ 188,923	$ 1,904,554
Marketable securities (Notes 3 and 19)	2,006	16	17,911
Lease receivables and investment assets (Notes 18 and 19)	25,261	21,445	225,545
Short-term investments (Note 19)	3,440	3,648	30,714
Receivables (Notes 8 and 19):			
Trade notes	18,257	23,129	163,009
Trade accounts	297,018	258,535	2,651,946
Unconsolidated subsidiaries and associated companies		92	
Allowance for doubtful receivables	(7,654)	(2,583)	(68,339)
Inventories (Notes 4 and 8)	624,285	640,165	5,573,973
Deferred tax assets (Note 15)	40,730	35,407	363,661
Prepaid expenses and other current assets (Note 8)	188,535	160,072	1,683,347
Total current assets	1,405,188	1,328,849	12,546,321
PROPERTY, PLANT AND EQUIPMENT (Note 7):			
Land (Notes 5, 6 and 8)	759,814	652,042	6,784,054
Buildings and structures (Notes 6 and 8)	892,596	819,612	7,969,607
Machinery and equipment (Notes 6 and 8)	130,459	124,520	1,164,813
Furniture and fixtures (Note 6)	56,269	53,633	502,402
Lease assets (Notes 6 and 18)	22,546	20,453	201,304
Construction in progress (Note 6)	76,868	27,958	686,320
Total	1,938,552	1,698,218	17,308,500
Accumulated depreciation	(531,171)	(507,513)	(4,742,598)
Net property, plant and equipment	1,407,381	1,190,705	12,565,902
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 19)	240,101	237,278	2,143,759
Investments in unconsolidated subsidiaries and associated companies (Note 19)	80,004	83,686	714,321
Advances to unconsolidated subsidiaries and associated companies	727	238	6,491
Long-term loans receivable	12,804	13,550	114,321
Lease deposits (Note 19)	214,740	205,660	1,917,321
Deferred tax assets (Note 15)	85,357	88,256	762,116
Goodwill	52,892	54,413	472,250
Other assets (Note 6)	59,327	58,148	529,707
Allowance for doubtful accounts	(2,636)	(2,978)	(23,536)
Total investments and other assets	743,316	738,251	6,636,750
TOTAL	¥ 3,555,885	¥ 3,257,805	$ 31,748,973

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars (Note 1) 2017
CURRENT LIABILITIES:			
Short-term bank loans (Notes 8 and 19)	¥ 78,945	¥ 54,291	$ 704,866
Current portion of long-term debt (Notes 8, 18 and 19)	72,110	44,328	643,839
Payables (Note 19):			
Trade notes	182,463	137,625	1,629,134
Trade accounts	199,926	230,391	1,785,054
Unconsolidated subsidiaries and associated companies	843	479	7,527
Other accounts	93,893	126,883	838,330
Deposits received from customers	113,851	107,531	1,016,527
Income taxes payable (Note 19)	52,511	60,429	468,848
Accrued bonuses	50,015	46,663	446,563
Provision for product warranties	7,096	7,099	63,357
Asset retirement obligations (Note 10)	1,968	1,718	17,571
Advances received	47,803	49,419	426,813
Accrued expenses and other current liabilities	120,549	106,934	1,076,330
Total current liabilities	1,021,973	973,790	9,124,759
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8, 18 and 19)	516,436	417,437	4,611,036
Liability for employees' retirement benefits (Note 9)	271,549	280,228	2,424,545
Deferred tax liabilities on land revaluation (Note 5)	20,823	20,729	185,920
Long-term deposits received from the Company's club members	17,105	31,626	152,723
Lease deposits received (Note 19)	261,344	249,950	2,333,429
Asset retirement obligations (Note 10)	37,595	32,999	335,670
Other long-term liabilities	79,158	69,059	706,766
Total long-term liabilities	1,204,010	1,102,028	10,750,089
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 18, 20 and 21)			
EQUITY (Note 11):			
Common stock - authorized, 1,900,000,000 shares; issued, 666,238,205 shares in 2017 and 2016	161,699	161,699	1,443,741
Capital surplus	311,394	311,226	2,780,304
Stock acquisition rights	116	39	1,036
Retained earnings (Note 23)	734,242	591,851	6,555,732
Treasury stock - at cost, 2,691,551 shares in 2017 and 2,429,422 shares in 2016	(8,451)	(4,618)	(75,455)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	88,643	84,983	791,455
Deferred gain (loss) on derivatives under hedge accounting	(5)	36	(45)
Land revaluation difference (Note 5)	3,495	702	31,205
Foreign currency translation adjustments	17,273	24,399	154,223
Total	1,308,406	1,170,317	11,682,196
Non-controlling interests	21,496	11,670	191,929
Total equity	1,329,902	1,181,987	11,874,125
TOTAL	¥ 3,555,885	¥ 3,257,805	$ 31,748,973

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

Consolidated Statement of Income
Year Ended March 31, 2017

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2017	2016	2015	2017
NET SALES	¥ 3,512,909	¥ 3,192,901	¥ 2,810,715	$ 31,365,259
COST OF SALES	2,791,597	2,560,484	2,269,847	24,924,973
Gross profit	721,312	632,417	540,868	6,440,286
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 16)	411,220	389,316	360,516	3,671,607
Operating income	310,092	243,101	180,352	2,768,679
OTHER INCOME (EXPENSES):				
Interest income and dividends	6,896	7,016	6,576	61,571
Interest expense	(5,143)	(5,049)	(5,129)	(45,920)
Write-down of investment securities (Note 3)	(38)	(1,287)	(921)	(339)
Loss on sales and disposal of property, plant and equipment	(1,533)	(835)	(524)	(13,688)
Gain on revision of employees' retirement benefit plan (Note 9)			9,394	
Gain on sales of investment securities (Note 3)	987	10,078	3,272	8,813
Amortization of actuarial gain (loss) for employees' retirement benefits (Note 9)		(9,182)	21,047	
Actuarial loss due to a change of discount rate		(84,960)		
Impairment loss on property, plant and equipment (Note 6)	(4,340)	(3,311)	(11,183)	(38,750)
Losses from a natural disaster	(752)			(6,714)
Other - net (Note 14)	(11,304)	644	(1,793)	(100,929)
Other income (expenses) - net	(15,227)	(86,886)	20,739	(135,956)
INCOME BEFORE INCOME TAXES	294,865	156,215	201,091	2,632,723
INCOME TAXES (Note 15):				
Current	95,904	89,331	58,451	856,286
Deferred	(3,832)	(37,786)	25,101	(34,215)
Total income taxes	92,072	51,545	83,552	822,071
NET INCOME	202,793	104,670	117,539	1,810,652
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(1,092)	(1,092)	(406)	(9,750)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 201,701	¥ 103,578	¥ 117,133	$ 1,800,902

	Yen			U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 12):				
Basic net income	¥304.14	¥156.40	¥177.74	$2.72
Diluted net income	304.05	155.83		2.71
Cash dividends applicable to the year	92.00	80.00	60.00	0.82

See notes to consolidated financial statements.

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

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2017

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2017	2016	2015	2017
NET INCOME	¥ 202,793	¥ 104,670	¥ 117,539	$ 1,810,652
OTHER COMPREHENSIVE INCOME (LOSS) (Note 22):				
Unrealized gain on available-for-sale securities	3,728	633	33,820	33,286
Deferred gain (loss) on derivatives under hedge accounting	(41)	(49)	74	(366)
Land revaluation difference		1,112	2,222	
Foreign currency translation adjustments	(2,361)	(4,712)	5,551	(21,080)
Share of other comprehensive income (loss) in associated companies	(4,862)	(3,717)	6,730	(43,411)
Total other comprehensive income (loss)	(3,536)	(6,733)	48,397	(31,571)
COMPREHENSIVE INCOME	¥ 199,257	¥ 97,937	¥ 165,936	$ 1,779,081
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	¥198,193	¥97,027	¥165,493	$1,769,581
Non-controlling interests	1,064	910	443	9,500

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, 2017

	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 (Loss) on Derivatives under Hedge Accounting	Land Revaluation Difference	Foreign Currency Translation Adjustments	Total	Non-controlling Interests	Total Equity
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, ¥70.0 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, APRIL 1, 2016	663,809	161,699	311,226	39	591,851	(4,618)	84,983	36	702	24,399	1,170,317	11,670	1,181,987
Net income attributable to owners of the parent					201,701						201,701		201,701
Cash dividends, ¥85.0 per share					(56,516)						(56,516)		(56,516)
Change in treasury stock of parent arising from transactions with non-controlling shareholders			127								127		127
Transfer due to sales and impairment of land					(2,794)						(2,794)		(2,794)
Purchase of treasury stock	(3,844)					(12,191)					(12,191)		(12,191)
Disposal of treasury stock	3,582		41			8,358					8,399		8,399
Net change in the year				77			3,660	(41)	2,793	(7,126)	(637)	9,826	9,189
BALANCE, MARCH 31, 2017	663,547	¥ 161,699	¥ 311,394	¥ 116	¥ 743,242	¥ (8,451)	¥ 88,643	¥ (5)	¥ 3,495	¥ 17,273	¥ 1,308,406	¥ 21,496	¥ 1,329,902

(Continued)

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

Consolidated Statement of Changes in Equity
Year Ended March 31, 2017

	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 (Loss) on Derivatives under Hedge Accounting	Land Revaluation Difference	Foreign Currency Translation Adjustments	Total	Non-controlling Interests	Total Equity
BALANCE, APRIL 1, 2016	$ 1,443,741	$ 2,778,804	$ 348	$ 5,284,384	$ (41,232)	$ 758,777	$ 321	$ 6,268	$ 217,848	$ 10,449,259	$ 104,196	$ 10,553,455
Net income attributable to owners of the parent				1,800,902						1,800,902		1,800,902
Cash dividends, $0.82 per share				(504,607)						(504,607)		(504,607)
Change in treasury stock of parent arising from transactions with non-controlling shareholders		1,134								1,134		1,134
Transfer due to sales and impairment of land				(24,947)						(24,947)		(24,947)
Purchase of treasury stock					(108,848)					(108,848)		(108,848)
Disposal of treasury stock		366			74,625					74,991		74,991
Net change in the year			688			32,678	(366)	24,937	(63,625)	(5,688)	87,733	82,045
BALANCE, MARCH 31, 2017	$ 1,443,741	$ 2,780,304	$ 1,036	$ 6,555,732	$ (75,455)	$ 791,455	$ (45)	$ 31,205	$ 154,223	$ 11,682,196	$ 191,929	$ 11,874,125

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, 2017

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2017	2016	2015	2017
OPERATING ACTIVITIES:				
Income before income taxes	¥ 294,865	¥ 156,215	¥ 201,091	$ 2,632,723
Adjustments for:				
Income taxes - paid	(106,575)	(58,147)	(77,185)	(951,563)
Depreciation	59,598	56,516	53,284	532,125
Write-down of investment securities	38	1,287	921	339
Loss on sales and disposal of property, plant and equipment	1,533	835	524	13,688
Impairment loss on property, plant and equipment	4,340	3,311	11,183	38,750
Equity in earnings (losses) of associated companies	1,275	575	(12)	11,384
Changes in certain assets and liabilities, net of consolidation:				
Increase in receivables	(33,784)	(23,426)	(16,194)	(301,643)
Decrease (increase) in inventories	8,944	(36,080)	(80,287)	79,857
Increase in payables	13,941	27,199	39,103	124,473
Increase in deposits received from customers	6,412	14,613	19,947	57,250
Increase (decrease) in advances received	(1,010)	9,588	(411)	(9,018)
decrease in liability for employees' retirement benefits	(8,680)	97,276	(39,766)	(77,500)
Other - net	46,795	28,735	27,267	417,813
Total adjustments	(7,173)	122,282	(61,626)	(64,045)
Net cash provided by operating activities	287,692	278,497	139,465	2,568,678
INVESTING ACTIVITIES:				
Purchases of property, plant and equipment	(323,184)	(178,180)	(232,212)	(2,885,571)
Purchases of investment securities	(16,474)	(15,845)	(9,134)	(147,089)
Increase in investments in and advances to unconsolidated subsidiaries and associated companies	(8,385)	(11,375)	(7,519)	(74,866)
Decrease in investments in and advances to unconsolidated subsidiaries and associated companies	1,753	1,049	1,645	15,652
Proceeds from sales and redemption of investment securities	17,962	18,791	11,240	160,375
Proceeds from sales of property, plant and equipment	1,741	2,763	2,605	15,545
Purchases of investments in subsidiaries			(138)	
Payments for purchases of shares of newly consolidated subsidiaries (Note 17)	(5,476)	(9,534)	(1,207)	(48,893)
Decrease in lease deposits	(7,224)	(5,283)	(6,546)	(64,500)
Payments for acquisition of business		(111)	(406)	
Other - net	(4,357)	(4,723)	6,645	(38,903)
Net cash used in investing activities	¥ (343,644)	¥ (202,448)	¥ (235,027)	$ (3,068,250)

(Continued)

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

Consolidated Statement of Cash Flows
Year Ended March 31, 2017

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2017	2016	2015	2017
FINANCING ACTIVITIES:				
Net increase (decrease) in short-term bank loans	¥ 17,188	¥ (24,303)	¥ 48,670	$ 153,464
Net increase (decrease) in commercial paper		(72,000)	72,000	
Proceeds from long-term debt (Loans from banks)	108,049	61,704	134,083	964,723
Repayments of long-term debt (Loans from banks)	(72,845)	(46,641)	(66,234)	(650,402)
Proceeds from issuance of bonds	100,000		80,000	892,857
Redemption of bonds	(10,086)	(610)	(100,135)	(90,054)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(13)	(60)		(116)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	826			7,375
Repayments of finance lease obligations	(2,992)	(2,751)	(3,137)	(26,714)
Proceeds from share issuance to non-controlling shareholders	2,603	3,635	258	23,241
Repayments to non-controlling shareholders	(2)	(4)		(18)
Purchase of treasury stock	(12,191)	(2,652)	(52)	(108,848)
Proceeds from disposal of treasury stock	8,362	1	1	74,661
Dividends paid to shareholders	(56,516)	(46,320)	(36,251)	(504,607)
Dividends paid to non-controlling interests	(2,155)	(184)		(19,241)
Proceeds from issuance of stock acquisition rights	115			1,027
Other - net	(256)			(2,285)
Net cash provided by (used in) financing activities	80,087	(130,185)	129,203	715,063
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	252	(4,739)	2,137	2,250
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,387	(58,875)	35,778	217,741
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	188,923	234,544	198,734	1,686,813
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY		14	32	
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM SHARE EXCHANGES (Note 17)		13,240		
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 213,310	¥ 188,923	¥ 234,544	$ 1,904,554

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 2016 and 2015 consolidated financial statements to conform to the classifications used in 2017.

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 ¥112 to $1, the approximate rate of exchange at March 31, 2017. 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, 2017 include the accounts of the parent company and its 162 significant (142 in 2016 and 119 in 2015) 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 28 (25 in 2016 and 22 in 2015) 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, 2017, 25 subsidiaries were included in the consolidation as a result of new formation or acquisition and five subsidiaries were excluded from the consolidation as a result of liquidation or merger.

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.

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*** - Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" 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*** - ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," 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*** - Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. 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. 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. 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. 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 capital surplus as long as the parent retains control over its subsidiary.

e. ***Cash and Cash Equivalents -*** Cash equivalents are short-term investments that are readily convertible into cash and 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 ($429 thousand), ¥36 million ($321 thousand) and ¥28 million ($250 thousand), respectively as of March 31, 2017. Stocks of consolidated subsidiaries used as collateral amounted to ¥399 million ($3,563 thousand) as of March 31, 2017, which have been eliminated in the consolidated financial statements. The amounts of investment securities loaned under securities lending agreements were ¥3,990 million ($35,625 thousand) as of March 31, 2017. Investment securities deposited in accordance with the Act on Assurance of Performance of Specified Housing Defect Warranty were ¥4,430 million ($39,554 thousand) as of March 31, 2017. Receivables, marketable securities and investments in capital (other assets) pledged as collateral in substitutes for deposits of certain construction and advertisement contracts were ¥96 million ($857 thousand), ¥0 million ($2 thousand) and ¥28 million ($250 thousand), respectively as of March 31, 2017.

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 in substitutes for deposits of certain construction and advertisement contracts were ¥3,368 million ($30,071 thousand) as of March 31, 2017.

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, and building improvements and structures acquired after April 1, 2016. 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 ¥16 million ($143 thousand) and other current liabilities of ¥1 million ($9 thousand) were ¥17 million ($152 thousand) as of March 31, 2017.

Pursuant to an amendment to the Corporate Tax Act, the Company adopted ASBJ PITF No. 32, "Practical Solution on a change in depreciation method due to Tax Reform 2016" and changed the depreciation method for building improvements and structures acquired after April 1, 2016, from the declining-balance method to the straight-line method. As a result, the impact to consolidated financial statements for the year ended March 31, 2017, was not material.

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 - An asset retirement obligation is recorded for 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. Employee Stockownership Plan - In accordance with PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts," upon transfer of treasury stock to the employee stockownership trust by the entity, any difference between the book value and fair value of the treasury stock is recorded in capital surplus. At year-end, the Company records (1) the Company stock held by the trust as treasury stock in equity, (2) all other assets and liabilities of the trust on a line-by-line basis, and (3) a liability/asset for the net of (i) any gain or loss on delivery of the stock by the trust to the employee shareholding association, (ii) dividends received from the entity for the stock held by the trust, and (iii) any expenses relating to the trust.

o. ***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.

p. ***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.

q. ***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 rates to the temporary differences.

The Company applied ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax assets," effective April 1, 2016.

r. ***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.

s. ***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.

t. ***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.

u. ***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.

v. 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, 2017 and 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 year ended March 31, 2015 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.

w. Accounting Changes and Error Corrections - Under 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 are required 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.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2017 and 2016 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Current:			
Government and corporate bonds	¥ 2,006	¥ 16	$ 17,911
Non-current:			
Equity securities	¥ 211,939	¥ 198,479	$ 1,892,312
Government and corporate bonds	4,707	4,687	42,027
Investments in limited liability partnership	9,252	5,514	82,607
Preferred fund certificates	14,173	28,564	126,545
Other	30	34	268
Total	¥ 240,101	¥ 237,278	$ 2,143,759

The costs and aggregate fair values of marketable and investment securities as of March 31, 2017 and 2016 were as follows:

	Millions of Yen			
	2017			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥66,179	¥129,828	¥63	¥195,944
Debt securities	2,276			2,276
Other	28	2		30
Held-to-maturity	4,437	183		4,620

	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

	Thousands of U.S. Dollars			
	2017			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$590,884	$1,159,179	$563	$1,749,500
Debt securities	20,321			20,321
Other	250	18		268
Held-to-maturity	39,616	1,634		41,250

Available-for-sale securities whose fair values cannot be reliably determined as of March 31, 2017 and 2016 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Available-for-sale:			
Equity securities	¥ 15,995	¥ 13,185	$ 142,812
Preferred fund certificates	14,173	28,564	126,545
Investments in limited liability partnership and other	9,252	5,514	82,607
Total	¥ 39,420	¥ 47,263	$ 351,964

The information for available-for-sale securities which were sold during the years ended March 31, 2017, 2016 and 2015 was as follows:

	Millions of Yen		
March 31, 2017	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥2,633	¥990	¥3

	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, 2017	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$23,509	$8,840	$27

The impairment losses on available-for-sale equity securities for the years ended March 31, 2017, 2016 and 2015 were ¥38 million ($339 thousand), ¥1,287 million and ¥921 million, stated as write-down of investment securities in other income (expenses), respectively.

4. INVENTORIES

Inventories as of March 31, 2017 and 2016 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Real estate for sale	¥ 85,576	¥ 75,783	$ 764,081
Construction projects in progress	49,485	36,754	441,830
Real estate for sale in process	75,187	83,956	671,313
Land held:			
For resale	358,845	385,981	3,203,973
Under development	34,006	35,979	303,625
Undeveloped	647	647	5,777
Merchandise, construction materials and others	20,539	21,065	183,384
Total	¥ 624,285	¥ 640,165	$ 5,573,973

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, 2017 and 2016, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥11,584 million ($103,429 thousand) and ¥12,350 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, 2017, 2016 and 2015:

2017

Classification of Company	Type of Assets	Location	Millions of Yen	Thousands of U.S. Dollars
Assets used under sublease agreements	Buildings and structures, machinery and equipment, furniture and fixtures, land, lease assets and intangible assets	Kanagawa Prefecture and others	¥ 1,123	$ 10,027
Home center	Buildings and structures and furniture and fixtures	Nara Prefecture and others	6	54
Facilities of health & leisure	Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets	Wakayama Prefecture and others	2,748	24,536
Offices, factories and others	Buildings and structures, machinery and equipment, furniture and fixtures, land, lease assets and other assets	Osaka Prefecture and others	226	2,018
Idle assets	Land	Hiroshima Prefecture	67	598
Others	Buildings and structures, machinery and equipment, furniture and fixtures and lease assets	Tokyo Prefecture and others	170	1,517
Total			¥ 4,340	$ 38,750

2016

Classification of Company	Type of Assets	Location	Millions of Yen
Assets used under sublease agreements	Buildings and structures and lease assets	Tokyo Prefecture and others	¥ 688
Home center	Buildings and structures, machinery and equipment and furniture and fixtures	Hyogo Prefecture and others	218
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
Offices, factories and others	Buildings and structures, machinery and equipment, furniture and fixtures and lease assets	Osaka Prefecture and others	561
Idle assets	Land	Osaka Prefecture and others	14
Others	Buildings and structures, machinery and equipment and furniture and fixtures	Tokyo Prefecture and others	23
Total			¥ 3,311

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, lease assets and other assets	Kagawa Prefecture and others	944
Idle assets	Land	Tochigi Prefecture	126
Others	Buildings and structures, machinery and equipment, furniture and fixtures and other assets	Tokyo Prefecture and others	588
Total			¥ 11,183

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 ¥27,173 million ($242,616 thousand), ¥206 million ($1,839 thousand) and ¥600 million ($5,357 thousand), respectively, for the year ended March 31, 2017. The net of rental income and operating expenses, gain on sales and disposal, and impairment loss for those rental properties were ¥24,467 million, ¥143 million and ¥366 million, 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 rental income for those rental properties was included in net sales. The operating expenses for those rental properties was included in cost of sales and selling, general and administrative expenses. The gain on sales and disposal and impairment loss for those rental properties were included in other income (expenses).

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, 2016	Increase/Decrease	March 31, 2017	March 31, 2017
¥744,604	¥180,253	¥924,857	¥1,029,058

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

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
April 1, 2016	Increase/Decrease	March 31, 2017	March 31, 2017
$6,648,250	$1,609,402	$8,257,652	$9,188,018

Notes:

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

2) Increase during the year ended March 31, 2017 primarily represents the acquisition of certain properties of ¥273,247 million ($2,439,705 thousand) and decrease primarily represents depreciation of ¥21,884 million ($195,393 thousand) and the transfer to inventories of ¥50,942 million ($454,839 thousand).

3) Increase during the year ended March 31, 2016 primarily represents the acquisition of certain properties of ¥142,187 million and decrease primarily represents depreciation of ¥20,520 million and the transfer to inventories of ¥31,387 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 short-term bank loans ranged from 0.13% to 11.00% and 0.30% to 5.95% at March 31, 2017 and 2016, respectively. The collateralized short-term bank loans were ¥13,092 million ($116,893 thousand) at March 31, 2017.

Long-term debt as of March 31, 2017 and 2016 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Bonds, 0.00% to 0.69% (0.25% to 1.54% in 2016), due on various dates through 2036:			
Unsecured	¥ 200,010	¥ 110,095	$ 1,785,804
Loans from banks, 0.25% to 5.26% (0.20% to 6.05% in 2016), due on various dates through 2042:			
Collateralized	42,218	61,276	376,946
Unsecured	319,499	266,302	2,852,670
Obligations under finance leases	26,819	24,092	239,455
Total	588,546	461,765	5,254,875
Less current portion	72,110	44,328	643,839
Long-term debt - net of current portion	¥ 516,436	¥ 417,437	$ 4,611,036

Annual maturities of long-term debt, excluding finance lease (see Note 18) as of March 31, 2017 were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 69,411	$ 619,741
2019	87,115	777,813
2020	126,947	1,133,455
2021	62,328	556,500
2022	57,172	510,464
2023 and thereafter	158,754	1,417,447
Total	¥ 561,727	$ 5,015,420

As of March 31, 2017, assets pledged as collateral for secured, short-term bank loans and long-term debt, excluding finance lease (see Note 18) were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥ 1,447	$ 12,920
Receivables	15,170	135,446
Real estate for sale	18,623	166,277
Real estate for sale in process	28,475	254,241
Other current assets	2,179	19,455
Buildings and structures	5,159	46,063
Machinery and equipment	75	670
Land	15,132	135,107
Total	¥ 86,260	$ 770,179

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, 2017, 2016 and 2015 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2017	2016	2015	2017
Balance at beginning of year (as previously reported)	¥ 552,112	¥ 438,903	¥ 472,253	$ 4,929,571
Cumulative effect of accounting change			14,419	
Balance at beginning of year (as restated)	552,112	438,903	486,672	4,929,571
Service cost	26,050	20,571	20,425	232,589
Interest cost	4,480	7,253	6,966	40,000
Adjustments for business restructurings		3,587	(1,252)	
Actuarial losses	(3,579)	93,384	7,009	(31,955)
Decrease due to transfer to defined contribution plan			(69,128)	
Benefits paid	(11,775)	(11,586)	(11,789)	(105,134)
Balance at end of year	¥ 567,288	¥ 552,112	¥ 438,903	$ 5,065,071

(2) The changes in plan assets as of March 31, 2017, 2016 and 2015 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2017	2016	2015	2017
Balance at beginning of year	¥ 271,884	¥ 259,432	¥ 267,452	$ 2,427,536
Adjustments for business restructuring		106		
Actuarial gains (losses)	12,940	(758)	28,056	115,536
Contributions from the employer	18,208	19,961	18,118	162,570
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	(7,293)	(6,857)	(6,622)	(65,116)
Balance at end of year	¥ 295,739	¥ 271,884	¥ 259,432	$ 2,640,526

(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, 2017 and 2016 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Funded defined benefit obligation	¥ 471,881	¥ 460,214	$ 4,213,223
Plan assets	(295,739)	(271,884)	(2,640,527)
	176,142	188,330	1,572,696
Unfunded defined benefit obligation	95,407	91,898	851,849
Net liability for defined benefit obligation	¥ 271,549	¥ 280,228	$ 2,424,545

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Liability for retirement benefits	¥ 271,549	¥ 280,228	$ 2,424,545
Net liability for defined benefit obligation	¥ 271,549	¥ 280,228	$ 2,424,545

(4) The components of net periodic benefit costs as of March 31, 2017, 2016 and 2015 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2017	2016	2015	2017
Service cost	¥ 26,050	¥ 20,572	¥ 20,425	$ 232,589
Interest cost	4,480	7,253	6,966	40,000
Amortization of actuarial gain (loss) for employees' retirement benefits	(16,519)	94,142	(21,047)	(147,491)
Net periodic benefit costs	¥ 14,011	¥ 121,967	¥ 6,344	$ 125,098

(5) Plan assets as of March 31, 2017 and 2016

a. Components of plan assets

Plan assets consisted of the following:

	2017	2016
Domestic debt instruments	1%	1%
Overseas debt instruments	8	7
Domestic equity instruments	11	11
Overseas equity instruments	7	7
Cash and cash equivalents	14	17
Private equity fund	16	17
Hedge fund	20	19
General accounts	10	10
Others	13	11
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, 2017 and 2016, were set forth as follows:

	2017	2016
Discount rate	Principally 0.8%	Principally 0.8%
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) Amortization of actuarial gain for employees' retirement benefits

Amortization of actuarial gain for employees' retirement benefits included in cost of sales and selling, general and administrative expenses was ¥16,519 million ($147,491 thousand) for the year ended March 31, 2017.

(8) Defined contribution plans

Required contributions to defined contribution plans of the parent company and certain subsidiaries were ¥5,702 million ($50,911 thousand), ¥5,497 million and ¥4,875 million at March 31, 2017, 2016 and 2015, respectively.

10. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2017 and 2016 were as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥ 34,717	¥ 31,052	$ 309,973
Additional provisions associated with the acquisition of property, plant and equipment	4,719	3,375	42,134
Reconciliation associated with passage of time	629	606	5,616
Reduction associated with settlement of asset retirement obligations	(502)	(316)	(4,482)
Balance at end of year	¥ 39,563	¥ 34,717	$ 353,241

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 (non-cash 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.

(Accounting Method for the Trust for Delivery of Shares to Directors and Employee Incentive Plan)

From the fiscal year ended March 31, 2017, the parent company adopted the Trust for Delivery of Shares to Directors that is a performance-based stock compensation plan for the parent company directors to achieve the earnings targets outlined in the 5th Medium-Term Management Plan and sustained corporate value improvements.

In addition, from the fiscal year ended March 31, 2017, the Company adopted the Employee Incentive Plan (E-Ship®) that is available for all employees participating in the Daiwa House Industry Employee Shareholders Association and Daiwa House Group Employee Shareholders Association. The Employee Incentive Plan grants incentives for employees to improve corporate value over the medium and long term, and enhances employee benefits at the same time.

(1) Overview of transaction

Under the Trust for Delivery of Shares to Directors, the trust which the parent company established and made financial contributions based on the scope approved at the 77th general shareholders meeting held on June 28, 2016 acquired shares of the parent company. The trust delivered the shares to directors in amounts corresponding to points assigned to directors according to rank and company return on equity (ROE).

Under the Employee Incentive Plan, the Company established the Daiwa House Group Employee Shareholders Association Trust to serve as the trust bank makes advanced purchases of the parent company shares in an amount expected to be acquired by the Employee Shareholders Association over the next three years. Over that time, the trust will make ongoing sales of the parent company shares to the Employee Shareholders Association. Upon the conclusion of the trust, any accumulated gains on sale of stock within the trust will be allocated as residual assets to individuals meeting requirements as eligible beneficiaries.

(2) Treasury stock held by the Trust

The book value of shares held by the trust (except for the transaction costs) was ¥8,281 million ($73,937 thousand) as of March 31, 2017, and was recorded as treasury stock in the shareholder's equity.

The number of shares held by the trust as of March, 2017 was 2,619 thousand shares and the average number of shares during the fiscal year ended March 31, 2017 was 2,542 thousand shares.

(3) The book value of loans recorded on a line-by-line basis ¥7,827 million ($69,884 thousand) as of March 31, 2017.

12. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2017 and 2016 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2017	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS - Net income available to common shareholders	¥ 201,701	663,194	¥ 304.14	$ 2.72
Effect of dilutive securities:				
Stock acquisition rights		190		
Diluted EPS - Net income for computation	¥ 201,701	663,384	¥ 304.05	$ 2.71

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

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

As noted in Note 2.n, the Company applied PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts." In calculating the number of weighted-average shares above, the number of shares held by the Trust (2,542 thousand shares in 2017 and 0 shares in 2016) is reflected as treasury stock.

13 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										
	2017										
	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	¥ 387,660	¥ 975,734	¥ 262,211	¥ 102,569	¥ 561,800	¥ 818,227	¥ 3,108,201	¥ 404,708	¥ 3,512,909		¥ 3,512,909
Intersegment sales or transfers	2,672	1,483	656	3,024	7,977	10,251	26,063	108,874	134,937	¥ (134,937)	
Total	¥ 390,332	¥ 977,217	¥ 262,867	¥ 105,593	¥ 569,777	¥ 828,478	¥ 3,134,264	¥ 513,582	¥ 3,647,846	¥ (134,937)	¥ 3,512,909
Segment profit	¥ 19,290	¥ 94,301	¥ 13,430	¥ 13,081	¥ 100,743	¥ 78,968	¥ 319,813	¥ 16,861	¥ 336,674	¥ (26,582)	¥ 310,092
Segment assets	197,320	294,286	317,685	16,051	590,434	1,125,517	2,541,293	719,063	3,260,356	295,529	3,555,885
Other:											
Depreciation	3,861	8,636	2,113	135	17,470	9,348	41,563	16,985	58,548	1,050	59,598
Increase in property, plant and equipment and other assets	8,510	37,554	6,185	147	61,702	164,136	278,234	62,985	341,219	437	341,656

	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

	Thousands of U.S. Dollars										
	2017										
	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	$ 3,461,250	$ 8,711,911	$ 2,341,170	$ 915,795	$ 5,016,071	$ 7,305,598	$ 27,751,795	$ 3,613,464	$ 31,365,259		$ 31,365,259
Intersegment sales or transfers	23,857	13,241	5,857	27,000	71,223	91,527	232,705	972,090	1,204,795	$ (1,204,795)	
Total	$ 3,485,107	$ 8,725,152	$ 2,347,027	$ 942,795	$ 5,087,294	$ 7,397,125	$ 27,984,500	$ 4,585,554	$ 32,570,054	$ (1,204,795)	$ 31,365,259
Segment profit	$ 172,232	$ 841,974	$ 119,911	$ 116,795	$ 899,490	$ 705,071	$ 2,855,473	$ 150,545	$ 3,006,018	$ (237,339)	$ 2,768,679
Segment assets	1,761,786	2,627,554	2,836,473	143,313	5,271,732	10,049,258	22,690,116	6,420,205	29,110,321	2,638,652	31,748,973
Other:											
Depreciation	34,473	77,107	18,866	1,205	155,983	83,464	371,098	151,652	522,750	9,375	532,125
Increase in property, plant and equipment and other assets	75,982	335,304	55,223	1,313	550,911	1,465,499	2,484,232	562,366	3,046,598	3,902	3,050,500

Notes:

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

2) Reconciliations to segment profit of ¥26,582 million ($237,339 thousand), ¥40,322 million and ¥34,895 million include intersegment eliminations of ¥575 million ($5,134 thousand), ¥1,563 million and ¥447 million, the amortization of goodwill of ¥716 million ($6,393 thousand), ¥717 million and ¥716 million and the corporate expenses not allocated to each business segment of ¥26,723 million ($238,598 thousand), ¥39,476 million and ¥35,164 million for the years ended March 31, 2017, 2016 and 2015, 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 ¥295,529 million ($2,638,652 thousand), ¥294,609 million and ¥278,565 million include intersegment eliminations of ¥69,715 million ($622,455 thousand), ¥217,041 million and ¥237,311 million and the corporate assets of ¥365,244 million ($3,261,107 thousand), ¥511,650 million and ¥515,876 million for the years ended March 31, 2017, 2016 and 2015, 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 ¥1,050 million ($9,375 thousand), ¥1,180 million and ¥871 million include intersegment eliminations of ¥470 million ($4,196 thousand), ¥424 million and ¥401 million and the depreciation attributable to corporate assets of ¥1,520 million ($13,571 thousand), ¥1,604 million and ¥1,272 million for the years ended March 31, 2017, 2016 and 2015, respectively.

Reconciliations to increase in property, plant and equipment and other assets of ¥437 million ($3,902 thousand), ¥1,416 million and ¥21,171 million include intersegment eliminations of ¥793 million ($7,080 thousand), ¥1,986 million and ¥1,346 million and the headquarters' capital investments in properties and equipment of ¥1,230 million ($10,982 thousand), ¥570 million and ¥22,517 million for the years ended March 31, 2017, 2016 and 2015, 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								
	2017								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/ Corporate	Consolidated
Impairment losses of assets	¥56	¥71	¥113		¥484	¥629	¥2,987		¥4,340

	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

Thousands of U.S. Dollars — 2017

	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/ Corporate	Consolidated
Impairment losses of assets	$500	$634	$1,009		$4,321	$5,616	$26,670		$38,750

Amortization of goodwill

Millions of Yen — 2017

	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/ Corporate	Consolidated
Amortization of goodwill		¥ (8)	¥ 1,170		¥ 795	¥ 2,231	¥ 365		¥ 4,553
Goodwill at March 31, 2017		(87)	14,234		3,798	36,808	(1,861)		52,892

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

Thousands of U.S. Dollars — 2017

	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/ Corporate	Consolidated
Amortization of goodwill		$ (71)	$ 10,446		$ 7,098	$ 19,920	$ 3,259		$ 40,652
Goodwill at March 31, 2017		(777)	127,089		33,911	328,643	(16,616)		472,250

14. OTHER INCOME (EXPENSES): OTHER - NET

"Other income (expenses): Other - net" for the years ended March 31, 2017, 2016 and 2015 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2017	2016	2015	2017
Real estate acquisition tax and other taxes	¥ (1,744)	¥ (1,672)	¥ (1,094)	$ (15,571)
Allowance for doubtful accounts	(5,045)	(960)	(318)	(45,045)
Equity in earnings (losses) of associated companies	(1,275)	(575)	12	(11,384)
Gain on step acquisitions		4,148	5	
Merger expenses		(1,190)	(1,780)	
Gain on sales of investment in unconsolidated subsidiaries and associated companies	23		263	205
Other - net	(3,263)	893	1,119	(29,134)
Total	¥ (11,304)	¥ 644	¥ (1,793)	$ (100,929)

15. 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 30.8% for the year ended March 31, 2017 and 33.0% for the year ended March 31, 2016.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
CURRENT:			
Deferred tax assets:			
Write-down of real estate for sale	¥ 7,281	¥ 7,141	$ 65,009
Accrued bonuses	14,970	14,024	133,661
Accrued enterprise tax	3,161	4,516	28,223
Other	18,704	14,719	167,000
Less valuation allowance	(3,386)	(4,993)	(30,232)
Deferred tax assets	40,730	35,407	363,661
Deferred tax liabilities - other	(3)	(6)	(27)
Net deferred tax assets	¥ 40,727	¥ 35,401	$ 363,634

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
NON-CURRENT:			
Deferred tax assets:			
Liability for employees' retirement benefits	¥ 84,094	¥ 86,516	$ 750,839
Unrealized gains on sales of property, plant and equipment	9,448	8,900	84,357
Excess of depreciation of property, plant and equipment	21,589	22,621	192,759
Loss carryforwards	28,936	28,581	258,357
Other	47,515	45,318	424,241
Less valuation allowance	(56,877)	(55,418)	(507,830)
Deferred tax assets	134,705	136,518	1,202,723
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	(2,986)	(3,049)	(26,661)
Net unrealized gain on available-for-sale securities	(37,533)	(36,313)	(335,116)
Other	(10,700)	(9,784)	(95,536)
Deferred tax liabilities	(51,219)	(49,146)	(457,313)
Net deferred tax assets	¥ 83,486	¥ 87,372	$ 745,410

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates for the years ended March 31, 2017 and 2016 is insignificant and not disclosed.

As of March 31, 2017, certain subsidiaries have tax loss carryforwards aggregating to approximately ¥97,182 million ($867,696 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
2018	¥ 34,895	$ 311,562
2019	7,510	67,054
2020	13,365	119,330
2021	20,303	181,277
2022	9,746	87,018
2023 and thereafter	11,363	101,455
Total	¥ 97,182	$ 867,696

16. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥8,381 million ($74,830 thousand), ¥7,998 million and ¥7,731 million for the years ended March 31, 2017, 2016 and 2015, respectively.

17. 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
	2016
Assets	¥ 12,564
Liabilities	(3,660)
Cost of purchase of investments in subsidiaries	8,904
Payable for cost of purchase of investments in subsidiaries	(100)
Cash and cash equivalents of consolidated subsidiary	(79)
Payments for purchases of shares of newly consolidated subsidiary	¥ 8,725

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

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
	2016
Current assets	¥ 33,268
Fixed assets	20,195
Total	¥ 53,463
Current liabilities	¥ (30,288)
Long-term liabilities	(7,276)
Total	¥ (37,564)

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

18. 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, 2017, 2016 and 2015 were ¥23,651 million ($211,170 thousand), ¥36,013 million and ¥26,096 million, respectively.

For the years ended March 31, 2017, 2016 and 2015, the Company recorded an impairment loss of ¥409 million ($3,652 thousand), ¥295 million and ¥330 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	Thousands of U.S. Dollars
	2017	2017
Due within one year	¥ 2,699	$ 24,098
Due after one year	24,120	215,357
Total	¥ 26,819	$ 239,455

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			
	2017			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 239,877	¥ 774	¥ 214	¥ 240,865
Accumulated depreciation	149,644	670	204	150,518
Accumulated impairment loss	5,482			5,482
Net leased property	¥ 84,751	¥ 104	¥ 10	¥ 84,865

	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

	Thousands of U.S. Dollars			
	2017			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	$ 2,141,758	$ 6,911	$ 1,910	$ 2,150,579
Accumulated depreciation	1,336,107	5,982	1,821	1,343,910
Accumulated impairment loss	48,946			48,946
Net leased property	$ 756,705	$ 929	$ 89	$ 757,723

Obligations under finance leases as of March 31, 2017 and 2016 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Due within one year	¥ 23,467	¥ 22,249	$ 209,527
Due after one year	84,149	107,709	751,330
Total	¥ 107,616	¥ 129,958	$ 960,857

The allowance for impairment loss on leased property of ¥2,734 million ($24,411 thousand), ¥3,019 million and ¥3,544 million as of March 31, 2017, 2016 and 2015, 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
	2017	2016	2015	2017
Depreciation expense	¥ 11,927	¥ 12,625	¥ 13,454	$ 106,491
Interest expense	6,484	7,401	9,031	57,893
Total	¥ 18,411	¥ 20,026	¥ 22,485	$ 164,384
Lease payments	¥20,639	¥21,967	¥22,867	$184,277
Reversal of allowance for impairment loss on leased property	686	818	723	6,125
Impairment loss	402	292	330	3,589

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
	2017	2016	2017
Gross lease receivables	¥ 32,812	¥ 25,789	$ 292,964
Unguaranteed residual values	1,023	1,155	9,134
Unearned interest income	(10,954)	(7,682)	(97,803)
Lease investment assets, current	¥ 22,881	¥ 19,262	$ 204,295

Maturities of lease receivables for finance leases that were deemed to transfer ownership of the leased property to the lessee as of March 31, 2017 are as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 440	$ 3,929
2019	448	4,000
2020	1,013	9,045
2021	174	1,554
2022	143	1,277
2023 and thereafter	673	6,008
Total	¥ 2,891	$ 25,813

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, 2017 are as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 5,296	$ 47,286
2019	4,653	41,545
2020	3,503	31,277
2021	2,651	23,670
2022	1,955	17,455
2023 and thereafter	14,754	131,731
Total	¥ 32,812	$ 292,964

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, 2017 and 2016 consisted of the following:

	Machinery and Equipment		
	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Acquisition cost	¥ 32	¥ 36	$ 286
Accumulated depreciation	30	30	268
Net leased property	¥ 2	¥ 6	$ 18

Future rental income under finance leases as of March 31, 2017 and 2016 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Due within one year	¥ 2	¥ 4	$ 18
Due after one year		2	
Total	¥ 2	¥ 6	$ 18

Rental income, interest income and depreciation expense under finance leases at March 31, 2017, 2016 and 2015 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2017	2016	2015	2017
Rental income	¥ 4	¥ 9	¥ 64	$ 36
Interest income		1	3	
Depreciation expense	4	8	61	36

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, 2017 and 2016 were as follows:

(Lessee)

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Due within one year	¥ 52,468	¥ 49,974	$ 486,464
Due after one year	469,426	445,797	4,191,304
Total	¥ 521,894	¥ 495,771	$ 4,659,768

(Lessor)

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Due within one year	¥ 3,514	¥ 3,372	$ 31,375
Due after one year	211,955	207,178	1,892,455
Total	¥ 215,469	¥ 210,550	$ 1,923,830

19. 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 not used 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 20 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 and foreign currency receivables and payables 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 20 for the details of fair value for derivatives and derivative risks.

(a) Fair value of financial instruments

	Millions of Yen		
	2017		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 213,310	¥ 213,310	
Short-term investments	3,440	3,440	
Receivables	315,275		
Allowance for doubtful receivables	(745)		
	314,530	314,511	¥ (19)
Marketable and investment securities:			
Held-to-maturity	4,437	4,620	183
Investments in unconsolidated subsidiaries and associated companies	766	631	(135)
Available-for-sale	198,250	198,250	
Lease deposits	214,740		
Allowance for doubtful accounts	(500)		
	214,240	211,129	(3,111)
Total	¥ 948,973	¥ 945,891	¥ (3,082)
Short-term bank loans	¥ 78,945	¥ 78,945	
Payables	477,125	477,125	
Income taxes payable	52,511	52,511	
Long-term debt (Bonds)	200,010	199,689	¥ (321)
Long-term debt (Loans from banks)	361,717	364,721	3,004
Lease deposits received	261,344	256,208	(5,136)
Total	¥ 1,431,652	¥ 1,429,199	¥ (2,453)
Derivatives	¥14	¥14	

	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)	

	Thousands of U.S. Dollars		
	2017		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 1,904,554	$ 1,904,554	
Short-term investments	30,714	30,714	
Receivables	2,814,955		
Allowance for doubtful receivables	(6,652)		
	2,808,303	2,808,134	$ (169)
Marketable and investment securities:			
Held-to-maturity	39,616	41,250	1,634
Investments in unconsolidated subsidiaries and associated companies	6,839	5,634	(1,205)
Available-for-sale	1,770,089	1,770,089	
Lease deposits	1,917,321		
Allowance for doubtful accounts	(4,464)		
	1,912,857	1,885,080	(27,777)
Total	$ 8,472,972	$ 8,445,455	$ (27,517)
Short-term bank loans	$ 704,866	$ 704,866	
Payables	4,260,045	4,260,045	
Income taxes payable	468,848	468,848	
Long-term debt (Bonds)	1,785,804	1,782,938	$ (2,866)
Long-term debt (Loans from banks)	3,229,616	3,256,438	26,822
Lease deposits received	2,333,429	2,287,571	(45,858)
Total	$ 12,782,608	$ 12,760,706	$ (21,902)
Derivatives	$125	$125	

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, payables and income taxes payable

The carrying values of short-term bank loans, 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 20.

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Equity securities	¥ 82,528	¥ 82,409	$ 736,857
Preferred fund certificates	18,877	31,715	168,545
Bonds	8,000	8,000	71,429
Investments in limited liability partnership and other	9,253	5,514	82,616

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

	Millions of Yen			
	2017			
	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	¥ 213,310			
Short-term investments	3,440			
Receivables	299,555	¥ 10,230	¥ 4,719	¥ 771
Marketable and investment securities:				
Held-to-maturity		2,274	2,314	10
Available-for-sale securities with contractual maturities	2,006	150		120
Lease deposits	23,440	71,828	58,313	66,259
Total	¥ 541,751	¥ 84,482	¥ 65,346	¥ 67,160

	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	16	2,156		120
Lease deposits	22,670	70,118	58,282	60,683
Total	¥ 479,322	¥ 84,213	¥ 67,201	¥ 62,234

	Thousands of U.S. Dollars			
	2017			
	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	$ 1,904,554			
Short-term investments	30,714			
Receivables	2,674,598	$ 91,339	$ 42,134	$ 6,884
Marketable and investment securities:				
Held-to-maturity		20,304	20,661	89
Available-for-sale securities with contractual maturities	17,911	1,339		1,071
Lease deposits	209,286	641,322	520,652	591,598
Total	$ 4,837,063	$ 754,304	$ 583,447	$ 599,642

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

20. 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, 2017 and 2016 were as follows:

	Millions of Yen								Thousands of U.S. Dollars			
	2017				2016				2017			
	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)	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign exchange forwards												
Buying Mexican peso					¥1,495		¥(1)	¥(11)				

Derivative transactions to which hedge accounting was applied as of March 31, 2017 and 2016 were as follows:

		Millions of Yen						Thousands of U.S. Dollars		
		2017			2016			2017		
	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	¥ 39,121	¥ 36,632		¥ 32,454	¥ 31,695		$ 349,295	$ 327,071	
(floating rate payment, fixed rate receipt)	(Loans from banks)	6,960	6,960		6,960	6,960		62,143	62,143	
Total		¥ 46,081	¥ 43,592		¥ 39,414	¥ 38,655		$ 411,438	$ 389,214	
Currency swaps:	Long-term debt									
(payment in yen, receipt in U.S. dollars)	(Loans from banks)	¥ 10,000	¥ 10,000		¥ 10,000	¥ 10,000		$ 89,286	$ 89,286	
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		$ 178,571	$ 178,571	
(fixed rate payment in Malaysian ringgit, floating rate receipt in U.S. dollars)	Short-term bank loans	171		¥ 10				1,527		$ 89
Total		¥ 20,171	¥ 20,000	¥ 10	¥ 20,000	¥ 20,000		$ 180,098	$ 178,571	$ 89
Foreign currency forward contracts:										
Buying U.S. dollars	Scheduled transaction	¥ 78		¥ 4	¥ 111		¥ (6)	$ 696		$ 36
Buying Indian rupees	denominated in foreign				117		(11)			
Others	currencies				4		(0)			
Total		¥ 78		¥ 4	¥ 232		¥ (17)	$ 696		$ 36

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 19 are included in those of the hedged items (i.e., long-term debt).

21 CONTINGENCIES

At March 31, 2017, contingent liabilities for notes endorsed with recourse and loans guaranteed in the ordinary course of business amounted to ¥246 million ($2,196 thousand) and ¥19,181 million ($171,259 thousand), respectively. Included in loans guaranteed were customers' housing loans from banks in the amount of ¥18,359 million ($163,920 thousand).

22. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2017, 2016 and 2015 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2017	2016	2015	2017
Unrealized gain on available-for-sale securities:				
Gain arising during the year	¥ 6,234	¥ 6,467	¥ 49,167	$ 55,661
Reclassification adjustments to loss	(978)	(8,737)	(3,253)	(8,732)
Amount before income tax effect	5,256	(2,270)	45,914	46,929
Income tax effect	(1,528)	2,903	(12,094)	(13,643)
Total	¥ 3,728	¥ 633	¥ 33,820	$ 33,286
Deferred gain (loss) on derivatives under hedge accounting:				
Gain (loss) arising during the year	¥ (34)	¥ (106)	¥ 120	$ (303)
Reclassification adjustments to profit	0			0
Amount before income tax effect	(34)	(106)	120	(303)
Income tax effect	(7)	57	(46)	(63)
Total	¥ (41)	¥ (49)	¥ 74	$ (366)
Land revaluation difference:				
Income tax effect	¥	¥ 1,112	¥ 2,222	$
Foreign currency translation adjustments:				
Adjustments arising during the year	¥ (2,366)	¥ (2,965)	¥ 5,579	$ (21,125)
Reclassification adjustments to profit or loss	5	(1,747)	(28)	45
Total	¥ (2,361)	¥ (4,712)	¥ 5,551	$ (21,080)
Share of other comprehensive income (loss) in associated companies:				
Income (loss) arising during the year	¥ (4,862)	¥ (3,624)	¥ 6,687	$ (43,411)
Reclassification adjustments to profit or loss		(93)	43	
Total	¥ (4,862)	¥ (3,717)	¥ 6,730	$ (43,411)
Total other comprehensive income	¥ (3,536)	¥ (6,733)	¥ 48,397	$ (31,571)

23. SUBSEQUENT EVENTS

a. *Appropriation of Retained Earnings*

The following appropriation of retained earnings at March 31, 2017 will be approved at the parent company's shareholders' meeting held on June 29, 2017:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥52 ($0.46) per share	¥34,641	$309,295

b. Acquisition of Membership Interests by a Consolidated Subsidiary of the Parent Company

Daiwa House USA Inc., a wholly owned subsidiary of the parent company resolved at the meeting of its board of directors held on October 26, 2016 (October 25, 2016 USA Eastern Standard Time) to enter into an agreement to acquire membership interests in Stanley-Martin Communities, LLC (hereafter, "Stanley-Martin"), a single-family housing company in the USA, thereby making Stanley-Martin into a subsidiary. The said agreement was entered into as of the same date, and Stanley-Martin thereby became a subsidiary of Daiwa House USA Inc. through the acquisition of membership interests on February 14, 2017. (February 13, 2017 USA Eastern Standard Time)

As the date of this agreement fell within the 2016 fiscal year of Daiwa House USA Inc. (the year ended December 31, 2016), the agreement was herewith notified as a "significant subsequent event" for the fiscal year in question.

Furthermore, the parent company announced that Neighborhoods Capital, LLC (hereafter, "Neighborhoods"), the wholly-owned subsidiary of Stanley-Martin, became its specified subsidiary by acquiring membership interests of Stanley-Martin, due to the fact that the capital of Neighborhoods exceeds 10% of the parent company's capital.

1. Objective of acquisition of membership interests

   The Company aimed to realize a society in which everyone can live spiritually enriched lives by creating new value, using it and refining it with its customers. As a "Group that co-creates value for individuals, communities, and people's lifestyles," the Company engaged in comprehensive business in the liferelated infrastructure industry, including businesses relating to single-family houses, rental housing, condominiums, existing home business, commercial facilities, business and corporate facilities.

   The Company successfully completed a series of management plans, from its 1st Medium-Term Management Plan – which commenced in fiscal 2005 – through to its 4th Medium-Term Management Plan. The Company was about to embark on the first year of its 5th Medium-Term Management Plan, which commenced from the current period (fiscal 2016). As part of its key objectives, this latest plan included "aggressive investments in real estate development," and "accelerated expansion of overseas business," primarily in the USA, Australia, and ASEAN countries.

   As part of this initiative, after the satisfaction of all of the conditions to the closing set forth in the purchase agreement, Daiwa House USA Inc. acquired 82.0% of the membership interests in Stanley-Martin, a US company involved in the single-family housing business. Stanley-Martin was a private company with its primary strategic base in the eastern USA, particularly the state of Virginia. It had extensive development experience based on customer-oriented management practices and its business was well-established in its community, having been involved in the development and sale of single-family houses for 50 years. With the cooperation of the Company, Stanley-Martin aimed to further develop the scope of its business in the region where it operates. Similarly, the Company aimed to accelerate the expansion of its US business by acquiring knowledge of the US single-family housing business from Stanley-Martin.

2. Name of company in which membership interests were acquired

   As stated above, the Company acquired 82.0% membership interests of Stanley-Martin from 7 asset management companies acting for the founding family, and from 18 financial investors, but at the request of the companies in question, the details of those companies were not disclosed. The Company did not have no relevant capital, personal, or business relationships with any of the companies in question.

3. Name, line of business, and corporate scale of company acquired

   (1) Name of company:

   Stanley-Martin Communities, LLC

   (2) Business line:

   Holding membership interests in companies (including Neighborhoods Capital, LLC) which engaged in the single family housing business and related businesses

   (3) Corporate scale:

   Equity: $207,741 thousand
   Total assets: $587,107 thousand (As of December 31, 2016)

4. Date of acquisition of membership interests

   February 14, 2017 (February 13, 2017 USA Eastern Standard Time)

5. Number of membership interests acquired, cost of acquisition, and percentage of membership interests held subsequent to acquisition

   (1) Number of membership interests acquired:

   112,698

   (2) Cost of acquisition:

   $243,338 thousand

   (3) Percentage of membership interests held subsequent to acquisition:

   82.0%

6. Source of funds to be used in financing acquisition

   Company's own funds

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