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

Consolidated Financial Statements as of and for the Year Ended March 31, 2018, and Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Daiwa House Industry Co., Ltd. and its consolidated subsidiaries as of March 31, 2018, 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, 2018, 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, 2018

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

Consolidated Balance Sheet
March 31, 2018

ASSETS	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
CURRENT ASSETS:			
Cash and cash equivalents (Notes 8 and 21)	¥ 326,131	¥ 213,310	$ 3,076,708
Marketable securities (Notes 3 and 21)	50	16	472
Current portion of investments in unconsolidated subsidiaries and associated companies (Note 21)	1,990	1,990	18,773
Lease receivables and investment assets (Note 20)	33,226	25,261	313,453
Mortgage notes receivable held for sale (Note 8)	12,430		117,264
Short-term investments (Note 21)	4,676	3,440	44,113
Receivables (Notes 8 and 21):			
Trade notes	20,549	18,257	193,858
Trade accounts	339,547	297,018	3,203,274
Unconsolidated subsidiaries and associated companies	300		2,830
Allowance for doubtful receivables	(8,836)	(7,654)	(83,358)
Inventories (Notes 4 and 8)	784,256	624,285	7,398,642
Deferred tax assets (Note 17)	44,746	40,730	422,132
Prepaid expenses and other current assets (Note 8)	215,691	188,535	2,034,820
Total current assets	1,774,756	1,405,188	16,742,981
PROPERTY, PLANT AND EQUIPMENT (Note 7):			
Land (Notes 5, 6 and 8)	776,342	759,814	7,323,981
Buildings and structures (Notes 6 and 8)	970,762	892,596	9,158,132
Machinery and equipment (Notes 6 and 8)	143,150	130,459	1,350,472
Furniture and fixtures (Note 6)	61,921	56,269	584,160
Lease assets (Notes 6 and 20)	32,163	22,546	303,425
Construction in progress (Note 6)	72,670	76,868	685,566
Total	2,057,008	1,938,552	19,405,736
Accumulated depreciation	(555,509)	(531,171)	(5,240,651)
Net property, plant and equipment	1,501,499	1,407,381	14,165,085
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 21)	219,145	240,101	2,067,406
Investments in unconsolidated subsidiaries and associated companies (Note 21)	82,964	80,004	782,679
Advances to unconsolidated subsidiaries and associated companies	504	727	4,755
Long-term loans receivable	13,668	12,804	128,943
Lease deposits (Note 21)	222,054	214,740	2,094,849
Deferred tax assets (Note 17)	91,070	85,357	859,151
Goodwill	60,917	52,892	574,689
Other assets (Note 6)	71,502	59,327	674,547
Allowance for doubtful accounts	(2,807)	(2,636)	(26,481)
Total investments and other assets	759,017	743,316	7,160,538
TOTAL	¥ 4,035,272	¥ 3,555,885	$ 38,068,604

LIABILITIES AND EQUITY	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
CURRENT LIABILITIES:			
Short-term bank loans (Notes 8 and 21)	¥ 93,844	¥ 78,945	$ 885,321
Current portion of long-term debt (Notes 8, 20 and 21)	85,160	72,110	803,396
Payables (Note 21):			
Trade notes	160,013	182,463	1,509,557
Trade accounts	317,945	199,926	2,999,481
Unconsolidated subsidiaries and associated companies	1,494	843	14,094
Other accounts	95,293	93,893	898,991
Deposits received from customers	124,572	113,851	1,175,208
Income taxes payable (Note 21)	61,827	52,511	583,274
Accrued bonuses	53,145	50,015	501,368
Provision for product warranties	8,233	7,096	77,670
Asset retirement obligations (Note 10)	2,093	1,968	19,745
Advances received	61,597	47,803	581,104
Accrued expenses and other current liabilities	133,134	120,549	1,255,980
Total current liabilities	1,198,350	1,021,973	11,305,189
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8, 20 and 21)	638,617	516,436	6,024,689
Liability for employees' retirement benefits (Note 9)	258,581	271,549	2,439,443
Deferred tax liabilities on land revaluation (Note 5)	20,074	20,823	189,377
Long-term deposits received from the Company's club members	2,828	17,105	26,679
Lease deposits received (Note 21)	270,011	261,344	2,547,274
Asset retirement obligations (Note 10)	41,027	37,595	387,047
Other long-term liabilities	92,199	79,158	869,802
Total long-term liabilities	1,323,337	1,204,010	12,484,311
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 20, 22 and 23)			
EQUITY (Notes 11 and 12):			
Common stock - authorized, 1,900,000,000 shares; issued, 666,238,205 shares in 2018 and 2017	161,699	161,699	1,525,462
Capital surplus	311,910	311,394	2,942,547
Stock acquisition rights	115	116	1,085
Retained earnings (Note 25)	903,550	734,242	8,524,057
Treasury stock - at cost, 1,482,493 shares in 2018 and 2,691,551 shares in 2017	(4,631)	(8,451)	(43,689)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	75,258	88,643	709,981
Deferred loss on derivatives under hedge accounting	(35)	(5)	(330)
Revaluation reserve for land (Note 5)	6,189	3,495	58,387
Foreign currency translation adjustments	20,600	17,273	194,340
Total	1,474,655	1,308,406	13,911,840
Non-controlling interests	38,930	21,496	367,264
Total equity	1,513,585	1,329,902	14,279,104
TOTAL	¥ 4,035,272	¥ 3,555,885	$ 38,068,604

See notes to consolidated financial statements.

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

Consolidated Statement of Income
Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
NET SALES	¥ 3,795,993	¥ 3,512,909	$ 35,811,255
COST OF SALES	3,002,161	2,791,597	28,322,274
Gross profit	793,832	721,312	7,488,981
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 18)	446,691	411,220	4,214,066
Operating income	347,141	310,092	3,274,915
OTHER INCOME (EXPENSES):			
Interest income and dividends	7,221	6,896	68,123
Interest expense	(5,545)	(5,143)	(52,312)
Write-down of investment securities (Note 3)	(14)	(38)	(132)
Gain (loss) on sales and disposal of property, plant and equipment	83	(1,533)	783
Gain on sales of investment securities (Note 3)	13,196	987	124,491
Impairment loss on property, plant and equipment (Note 6)	(11,801)	(4,340)	(111,330)
Losses from a natural disaster		(752)	
Other - net (Note 16)	(3,966)	(11,304)	(37,415)
Other income (expenses) - net	(826)	(15,227)	(7,792)
INCOME BEFORE INCOME TAXES	346,315	294,865	3,267,123
INCOME TAXES (Note 17):			
Current	111,017	95,904	1,047,330
Deferred	(4,605)	(3,832)	(43,443)
Total income taxes	106,412	92,072	1,003,887
NET INCOME	239,903	202,793	2,263,236
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(3,546)	(1,092)	(33,453)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 236,357	¥ 201,701	$ 2,229,783

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 13):			
Basic net income	¥355.87	¥304.14	$3.36
Diluted net income	355.86	304.05	3.36
Cash dividends applicable to the year	107.00	92.00	1.01

See notes to consolidated financial statements.

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

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
NET INCOME	¥ 239,903	¥ 202,793	$ 2,263,236
OTHER COMPREHENSIVE INCOME (LOSS) (Note 24):			
Unrealized gain (loss) on available-for-sale securities	(13,429)	3,728	(126,689)
Deferred loss on derivatives under hedge accounting	(27)	(41)	(255)
Foreign currency translation adjustments	1,857	(2,361)	17,519
Share of other comprehensive income (loss) in associated companies	1,341	(4,862)	12,651
Total other comprehensive loss	(10,258)	(3,536)	(96,774)
COMPREHENSIVE INCOME	¥ 229,645	¥ 199,257	$ 2,166,462
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥226,269	¥198,193	$2,134,613
Non-controlling interests	3,376	1,064	31,849

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, 2018

	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 Loss on Derivatives under Hedge Accounting	Revaluation Reserve for Land	Foreign Currency Translation Adjustments	Total	Non-controlling Interests	Total Equity
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 ownership interest of parent due to transactions with non-controlling interests			127								127		127
Reversal of revaluation reserve for 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, APRIL 1, 2017	663,547	161,699	311,394	116	734,242	(8,451)	88,643	(5)	3,495	17,273	1,308,406	21,496	1,329,902
Net income attributable to owners of the parent					236,357						236,357		236,357
Cash dividends, ¥97.0 per share					(64,618)						(64,618)		(64,618)
Change of scope of equity method					273						273		273
Change in ownership interest of parent due to transactions with non-controlling interests			516								516		516
Reversal of revaluation reserve for land					(2,694)						(2,694)		(2,694)
Purchase of treasury stock	(7)					(26)					(26)		(26)
Disposal of treasury stock	1,216				(10)	3,846					3,836		3,836
Net change in the year				(1)			(13,385)	(30)	2,694	3,327	(7,395)	17,434	10,039
BALANCE, MARCH 31, 2018	664,756	¥161,699	¥311,910	¥115	¥903,550	¥ (4,631)	¥ 75,258	¥(35)	¥6,189	¥20,600	¥1,474,655	¥38,930	¥1,513,585

(Continued)

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

Consolidated Statement of Changes in Equity
Year Ended March 31, 2018

	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 Loss on Derivatives under Hedge Accounting	Revaluation Reserve for Land	Foreign Currency Translation Adjustments	Total	Non-controlling Interests	Total Equity
BALANCE, APRIL 1, 2017	$ 1,525,462	$ 2,937,679	$ 1,094	$ 6,926,811	$ (79,726)	$ 836,255	$ (47)	$ 32,972	$ 162,953	$ 12,343,453	$ 202,792	$ 12,546,245
Net income attributable to owners of the parent				2,229,783						2,229,783		2,229,783
Cash dividends, $0.92 per share				(609,604)						(609,604)		(609,604)
Change of scope of equity method				2,575						2,575		2,575
Change in ownership interest of parent due to transactions with non-controlling interests		4,868								4,868		4,868
Reversal of revaluation reserve for land				(25,415)						(25,415)		(25,415)
Purchase of treasury stock					(245)					(245)		(245)
Disposal of treasury stock				(93)	36,282					36,189		36,189
Net change in the year			(9)			(126,274)	(283)	25,415	31,387	(69,764)	164,472	94,708
BALANCE, MARCH 31, 2018	$ 1,525,462	$ 2,942,547	$ 1,085	$ 8,524,057	$ (43,689)	$ 709,981	$ (330)	$ 58,387	$ 194,340	$ 13,911,840	$ 367,264	$ 14,279,104

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, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
OPERATING ACTIVITIES:			
Income before income taxes	¥ 346,315	¥ 294,865	$ 3,267,123
Adjustments for:			
Income taxes - paid	(100,904)	(106,575)	(951,925)
Depreciation	64,163	59,598	605,311
Write-down of investment securities	14	38	132
Loss (gain) on sales and disposal of property, plant and equipment	(83)	1,533	(783)
Impairment loss on property, plant and equipment	11,801	4,340	111,330
Equity in earnings of associated companies	63	1,275	594
Changes in certain assets and liabilities, net of consolidation:			
Increase in receivables	(43,228)	(33,784)	(407,811)
Decrease (increase) in inventories	(53,321)	8,944	(503,028)
Increase in payables	94,329	13,941	889,896
Increase in deposits received from customers	10,623	6,412	100,217
Increase (decrease) in advances received	12,712	(1,010)	119,925
Decrease in liability for employees' retirement benefits	(12,986)	(8,680)	(122,510)
Other - net	52,867	46,795	498,746
Total adjustments	36,050	(7,173)	340,094
Net cash provided by operating activities	382,365	287,692	3,607,217
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(276,941)	(323,184)	(2,612,651)
Purchases of investment securities	(7,580)	(16,474)	(71,509)
Increase in investments in and advances to unconsolidated subsidiaries and associated companies	(10,284)	(8,385)	(97,019)
Decrease in investments in and advances to unconsolidated subsidiaries and associated companies	5,017	1,753	47,330
Proceeds from sales and redemption of investment securities	21,898	17,962	206,585
Proceeds from sales of property, plant and equipment	10,651	1,741	100,481
Purchase of shares of subsidiaries resulting in charge in scope of consolidation	(15,451)	(5,476)	(145,764)
Proceeds from purchase of shares of subsidiaries resulting in charge in scope of consolidation	159		1,500
Purchase of investments in capital of subsidiaries resulting in change in scope of consolidation (Note 19)	(26,503)		(250,028)
Decrease in lease deposits	(6,227)	(7,224)	(58,745)
Payments for acquisition of business			
Other - net	(8,404)	(4,357)	(79,284)
Net cash used in investing activities	¥ (313,665)	¥ (343,644)	$ (2,959,104)

(Continued)

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

Consolidated Statement of Cash Flows
Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term bank loans	¥ (20,727)	¥ 17,188	$ (195,538)
Proceeds from long-term debt (Loans from banks)	106,659	108,049	1,006,217
Repayments of long-term debt (Loans from banks)	(94,902)	(72,845)	(895,302)
Proceeds from issuance of bonds	107,535	100,000	1,014,482
Redemption of bonds	(85)	(10,086)	(802)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(86)	(13)	(811)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	2,191	826	20,670
Repayments of finance lease obligations	(3,535)	(2,992)	(33,349)
Proceeds from share issuance to non-controlling shareholders	6,959	2,603	65,651
Repayments to non-controlling shareholders	(2)	(2)	(19)
Purchase of treasury stock	(26)	(12,191)	(245)
Proceeds from disposal of treasury stock	3,836	8,362	36,189
Dividends paid to shareholders	(64,618)	(56,516)	(609,604)
Dividends paid to non-controlling interests	(1,394)	(2,155)	(13,151)
Proceeds from issuance of stock acquisition rights		115	
Other - net		(256)	
Net cash provided by financing activities	41,805	80,087	394,388
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	2,316	252	21,849
NET INCREASE IN CASH AND CASH EQUIVALENTS	112,821	24,387	1,064,350
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	213,310	188,923	2,012,358
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 326,131	¥ 213,310	$ 3,076,708

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 2017 consolidated financial statements to conform to the classifications used in 2018.

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 ¥106 to $1, the approximate rate of exchange at March 31, 2018. 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, 2018 include the accounts of the parent company and its 281 significant (162 in 2017) 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 one (nil in 2017) unconsolidated subsidiary and 28 (28 in 2017) 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, 2018, 126 subsidiaries were included in the consolidation as a result of new formation or acquisition and seven 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) 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 ¥39 million ($368 thousand), ¥36 million ($340 thousand) and ¥22 million ($208 thousand), respectively as of March 31, 2018. The amounts of investment securities loaned under securities lending agreements were ¥3,759 million ($35,462 thousand) as of March 31, 2018. Investment securities deposited in accordance with the Act on Assurance of Performance of Specified Housing Defect Warranty were ¥4,473 million ($42,198 thousand) as of March 31, 2018. Marketable securities and investments in capital (other assets) pledged as collateral in substitutes for deposits of certain construction and advertisement contracts were ¥0 million ($2 thousand) and ¥28 million ($264 thousand), respectively as of March 31, 2018.

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 ¥2,150 million ($20,283 thousand) as of March 31, 2018.

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, generally determined by the retail method.

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 ¥15 million ($142 thousand) and other current liabilities of ¥1 million ($9 thousand) were ¥16 million ($151 thousand) as of March 31, 2018.

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 expected 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.

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, 2018 and 2017 are 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.

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. ***New Accounting Pronouncements*** - On January 12, 2018, the ASBJ issued PITF No. 36, "Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions," which requires transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions to be accounted for in accordance with ASBJ Statement No. 8, "Accounting Standard for Share-based Payment." PITF No. 36 is effective for annual periods beginning on or after April 1, 2018.

The Company will apply the PITF for annual periods beginning on April 1, 2018, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Company expects to apply the accounting standard and guidance for annual periods beginning on April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

x. Restatement for the Year Ended March 31, 2018 - The Company has restated its previously issued consolidated financial statements disclosed in the Annual Securities Report, and revised figures are presented on its consolidated financial statements for the fiscal year ended March 31, 2018.

The following is a summary of the corrections applied on the consolidated financial statements for the year ended March 31, 2018:

Notes to Consolidated Financial Statements Year Ended March 31, 2018

20. LEASES

Operating Leases:

Obligations and future rental income under non-cancellable operating leases as of March 31, 2018.

(Lessee)

	Millions of Yen		Thousands of U.S. Dollars	
	2018		2018	
	As Previously Reported	As Restated	As Previously Reported	As Restated
Due within one year	¥ 53,353	¥ 53,353	¥ 503,330	¥ 503,330
Due after one year	625,038	498,951	5,896,585	4,707,085
Total	¥ 678,391	¥ 552,304	¥ 6,399,915	¥ 5,210,415

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2018 and 2017 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Current:			
Government and corporate bonds	¥50	¥16	$472
Non-current:			
Equity securities	¥ 188,587	¥ 211,939	$ 1,779,123
Government and corporate bonds	4,885	4,707	46,085
Investments in limited liability partnership	11,534	9,252	108,811
Preferred fund certificates	14,100	14,173	133,019
Other	39	30	368
Total	¥ 219,145	¥ 240,101	$ 2,067,406

The costs and aggregate fair values of marketable and investment securities as of March 31, 2018 and 2017 were as follows:

	Millions of Yen			
	2018			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥64,725	¥110,946	¥333	¥175,338
Debt securities	462			462
Other	34	5		39
Held-to-maturity	4,473	144		4,617

	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	286			286
Other	28	2		30
Held-to-maturity	4,437	183		4,620

	Thousands of U.S. Dollars			
	2018			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$610,613	$1,046,661	$3,142	$1,654,132
Debt securities	4,359			4,359
Other	321	47		368
Held-to-maturity	42,198	1,359		43,557

Available-for-sale securities whose fair values cannot be reliably determined as of March 31, 2018 and 2017 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Available-for-sale:			
Equity securities	¥13,249	¥15,995	$124,991
Preferred fund certificates	14,100	14,173	133,019
Investments in limited liability partnership and other	11,534	9,252	108,811
Total	¥38,883	¥39,420	$366,821

The information for available-for-sale securities which were sold during the years ended March 31, 2018 and 2017 were as follows:

	Millions of Yen		
March 31, 2018	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥20,558	¥13,196	

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

	Thousands of U.S. Dollars		
March 31, 2018	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$193,943	$124,491	

The impairment losses on available-for-sale equity securities for the years ended March 31, 2018 and 2017 were ¥14 million ($132 thousand) and ¥38 million, stated as write-down of investment securities in other income (expenses), respectively.

4. INVENTORIES

Inventories as of March 31, 2018 and 2017 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Real estate for sale	¥ 116,508	¥ 85,576	$ 1,099,132
Construction projects in progress	58,627	49,485	553,085
Real estate for sale in process	84,800	75,187	800,000
Land held:			
For resale	439,549	358,845	4,146,689
Under development	61,172	34,006	577,094
Undeveloped	647	647	6,104
Merchandise, construction materials and others	22,953	20,539	216,538
Total	¥ 784,256	¥ 624,285	$ 7,398,642

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 revaluation reserve for land 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 revaluation reserve for land account and related deferred tax liabilities.

At March 31, 2018 and 2017, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥10,800 million ($101,887 thousand) and ¥11,584 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, 2018 and 2017:

2018

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 other assets	Saitama Prefecture and others	¥ 3,345	$ 31,557
Home center	Buildings and structures, machinery and equipment and furniture and fixtures	Chiba Prefecture and others	797	7,519
Facilities of health & leisure	Buildings and structures, machinery and equipment, furniture and fixtures, land, lease assets and other assets	Nagano Prefecture and others	5,042	47,566
Offices, factories and others	Buildings and structures, furniture and fixtures and land	Osaka Prefecture and others	2,317	21,858
Others	Buildings and structures, machinery and equipment, furniture and fixtures and other assets	Tokyo Prefecture and others	300	2,830
Total			¥ 11,801	$ 111,330

2017

Classification of Company	Type of Assets	Location	Millions of Yen
Assets used under sublease agreements	Buildings and structures, machinery and equipment, furniture and fixtures, land, lease assets and other assets	Kanagawa Prefecture and others	¥ 1,123
Home center	Buildings and structures and furniture and fixtures	Nara Prefecture and others	6
Facilities of health & leisure	Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets	Wakayama Prefecture and others	2,748
Offices, factories and others	Buildings and structures, machinery and equipment, furniture and fixtures, land, lease assets and other assets	Osaka Prefecture and others	226
Idle assets	Land	Hiroshima Prefecture	67
Others	Buildings and structures, machinery and equipment, furniture and fixtures and lease assets	Tokyo Prefecture and others	170
Total			¥ 4,340

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 ¥26,325 million ($248,349 thousand), ¥17 million ($160 thousand) and ¥3,024 million ($28,528 thousand), respectively, for the year ended March 31, 2018. The net of rental income and operating expenses, gain on sales and disposal, and impairment loss for those rental properties were ¥27,173 million, ¥206 million and ¥600 million, respectively, for the year ended March 31, 2017.

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, 2017	Increase/Decrease	March 31, 2018	March 31, 2018
¥924,857	¥53,460	¥978,317	¥1,078,658

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

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
April 1, 2017	Increase/Decrease	March 31, 2018	March 31, 2018
$8,725,066	$504,340	$9,229,406	$10,176,019

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, 2018 primarily represents the acquisition of certain properties of ¥194,186 million ($1,831,943 thousand) and decrease primarily represents depreciation of ¥25,103 million ($236,821 thousand) and the transfer to inventories of ¥84,118 million ($793,566 thousand).

3) Increase during the year ended March 31, 2017 primarily represents the acquisition of certain properties of ¥273,247 million and decrease primarily represents depreciation of ¥21,884 million and the transfer to inventories of ¥50,942 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 0.12% to 4.21% and 0.13% to 11.00% at March 31, 2018 and 2017, respectively. The collateralized short-term bank loans were ¥29,682 million ($280,019 thousand) at March 31, 2018.

Long-term debt as of March 31, 2018 and 2017 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Bonds, 0.00% to 7.20% (0.00% to 0.69% in 2017), due on various dates through 2037:			
Collateralized	¥ 453		$ 4,274
Unsecured	307,000	¥ 200,010	2,896,226
Loans from banks, 0.25% to 5.22% (0.25% to 5.26% in 2017), due on various dates through 2047:			
Collateralized	42,853	42,218	404,274
Unsecured	336,424	319,499	3,173,811
Obligations under finance leases	37,047	26,819	349,500
Total	723,777	588,546	6,828,085
Less current portion	85,160	72,110	803,396
Long-term debt - net of current portion	¥ 638,617	¥ 516,436	$ 6,024,689

Annual maturities of long-term debt, excluding finance lease (see Note 20) as of March 31, 2018 were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2019	¥ 81,685	$ 770,613
2020	134,486	1,268,736
2021	119,928	1,131,396
2022	57,806	545,340
2023	61,918	584,132
2024 and thereafter	230,907	2,178,368
Total	¥ 686,730	$ 6,478,585

As of March 31, 2018, assets pledged as collateral for secured, short-term bank loans and long-term debt, excluding finance lease (see Note 20) were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥ 1,528	$ 14,415
Receivables	13,282	125,302
Mortgage notes receivable held for sale	12,177	114,877
Real estate for sale	72,412	683,132
Real estate for sale in process	28,915	272,783
Other current assets	2,937	27,708
Buildings and structures	6,009	56,689
Machinery and equipment	91	858
Land	4,342	40,962
Other intangible fixed assets	98	925
Total	¥ 141,791	$ 1,337,651

Stocks of consolidated subsidiaries used as collateral amounted to ¥401 million ($3,783 thousand) as of March 31, 2018, which have been eliminated in the consolidated financial statements.

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, 2018 and 2017 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥567,288	¥552,112	$5,351,774
Service cost	27,023	26,050	254,934
Interest cost	4,599	4,480	43,387
Adjustments for business restructurings	(547)		(5,160)
Actuarial losses (gains)	6,810	(3,579)	64,245
Benefits paid	(14,394)	(11,775)	(135,793)
Balance at end of year	¥590,779	¥567,288	$5,573,387

(2) The changes in plan assets as of March 31, 2018 and 2017 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥295,739	¥271,884	$2,789,991
Actuarial gains	17,687	12,940	166,858
Contributions from the employer	26,339	18,208	248,482
Benefits paid	(7,567)	(7,293)	(71,387)
Balance at end of year	¥332,198	¥295,739	$3,133,944

(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, 2018 and 2017 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Funded defined benefit obligation	¥ 494,420	¥ 471,881	$ 4,664,340
Plan assets	(332,198)	(295,739)	(3,133,944)
	162,222	176,142	1,530,396
Unfunded defined benefit obligation	96,359	95,407	909,047
Net liability for defined benefit obligation	¥ 258,581	¥ 271,549	$ 2,439,443

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Liability for retirement benefits	¥258,581	¥271,549	$2,439,443
Net liability for defined benefit obligation	¥258,581	¥271,549	$2,439,443

(4) The components of net periodic benefit costs as of March 31, 2018 and 2017 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Service cost	¥ 27,023	¥ 26,050	$ 254,934
Interest cost	4,599	4,480	43,387
Amortization of actuarial gain for employees' retirement benefits	(10,877)	(16,519)	(102,613)
Net periodic benefit costs	¥ 20,745	¥ 14,011	$ 195,708

(5) Plan assets as of March 31, 2018 and 2017

a. Components of plan assets

Plan assets consisted of the following:

	2018	2017
Domestic debt instruments	1%	1%
Overseas debt instruments	7	8
Domestic equity instruments	12	11
Overseas equity instruments	8	7
Cash and cash equivalents	15	14
Private equity fund	15	16
Hedge fund	19	20
General accounts	9	10
Others	14	13
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, 2018 and 2017 were set forth as follows:

	2018	2017
Discount rate	Principally 0.8%	Principally 0.8%
Expected rate of return on plan assets	0.0%	0.0%
Expected rates of pay raises	2.6%	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 ¥10,877 million ($102,613 thousand) and ¥16,519 million for the years ended March 31, 2018 and 2017, respectively.

(8) Defined contribution plans

Required contributions to defined contribution plans of the parent company and certain subsidiaries were ¥5,935 million ($55,991 thousand) and ¥5,702 million at March 31, 2018 and 2017, respectively.

10. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2018 and 2017 were as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥39,563	¥34,717	$373,236
Additional provisions associated with the acquisition of property, plant and equipment	3,882	4,719	36,623
Reconciliation associated with passage of time	702	629	6,622
Reduction associated with settlement of asset retirement obligations	(1,027)	(502)	(9,689)
Balance at end of year	¥43,120	¥39,563	$406,792

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) The trust held the treasury stock and long-term debt, which was included in the balance sheet of the Company as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Treasury stock	¥ 4,481	¥ 8,281	$ 42,274
(The number of shares as of the fiscal year ended)	(1,423)	(2,619)	
(The average number of shares during the fiscal year)	(2,005)	(2,542)	
Long-term debt	¥ 3,094	¥ 7,827	$ 29,189

12. STOCK OPTIONS

The stock options outstanding as of March 31, 2018, were as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2013 Stock Option	17 directors 28 corporate officers 151 employees 100 subsidiary directors	39,500 shares	2013.11.08	¥1,891 ($18)	From May 1, 2016 To March 31, 2019
2016 Stock Option	16 directors 41 corporate officers 418 employees 112 subsidiary directors	2,013,500 shares	2016.5.13	¥3,017 ($28)	From May 1, 2019 To March 31, 2022

13. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2018	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS - Net income available to common shareholders	¥ 236,357	664,164	¥ 355.87	$ 3.36
Effect of dilutive securities:				
Stock acquisition rights		26		
Diluted EPS - Net income for computation	¥ 236,357	664,190	¥ 355.86	$ 3.36
Year Ended March 31, 2017				
Basic EPS - Net income available to common shareholders	¥ 201,701	663,194	¥ 304.14	
Effect of dilutive securities:				
Stock acquisition rights		190		
Diluted EPS - Net income for computation	¥ 201,701	663,384	¥ 304.05	

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 (2,005 thousand shares and 2,542 thousand shares in 2018 and 2017, respectively) is reflected as treasury stock.

14. BUSINESS COMBINATION

Year Ended March 31, 2018

(Business Combination by Acquisition)

a. Outline of the business combination

(1) Name of acquired company and its business outline

Name of the acquired company:	Stanley-Martin Communities, LLC
Business outline:	Single-family housing business in the eastern USA

(2) Major reason for the business combination

Major reason for the business combination is to contribute to the "accelerated expansion of overseas business" which is a part of key objectives of the Company's 5th Medium-Term Management Plan.

(3) Date of business combination

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

(4) Legal form of business combination

Acquisition of equity interests

(5) Name of the company after the combination

The acquired company's name remains unchanged

(6) Ratio of voting rights acquired

82%

(7) Basis for determining the acquirer

It is based on the fact that a subsidiary of the Company acquired 82% of voting rights by means of acquisition of equity interests in consideration for cash.

b. The period for which the operations of the acquired company are included in the consolidated financial statements

The accounting closing date of the acquired company is December 31, which is three months prior to that of the Company. As the date of acquisition was presumed to be January 1, 2017, the operations of the acquired company from January 1, 2017 to December 31, 2017 were included in the consolidated statement of income for the year ended March 31, 2018.

c. Acquisition cost of the acquired company and related details of each class of consideration

	Millions of Yen	Thousands of U.S. Dollars
Consideration for acquisition - Cash	¥ 28,346	$ 267,415
Acquisition cost	¥ 28,346	$ 267,415

d. Major acquisition-related costs

Advisory fees: ¥324 million ($3,057 thousand)

Due diligence fees: ¥232 million ($2,189 thousand)

e. Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

(1) Amount of goodwill incurred

¥5,946 million ($56,094 thousand)

(2) Reasons for the goodwill incurred

Goodwill is incurred from expected excess earnings power in the future arising from the business base of single-family housing business in USA.

(3) Method and period of amortization

Goodwill is amortized on a straight-line basis over 20 years.

f. The assets acquired and the liabilities assumed at the acquisition date were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 67,875	$ 640,330
Fixed assets	6,290	59,340
Total	¥ 74,165	$ 699,670
Current liabilities	¥ 45,468	$ 428,943
Long-term liabilities	835	7,878
Total	¥ 46,303	$ 436,821

15. 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										
	2018										
	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	¥ 382,885	¥ 1,028,812	¥ 284,452	¥ 109,437	¥ 610,470	¥ 847,028	¥ 3,263,084	¥ 532,909	¥ 3,795,993		¥ 3,795,993
Intersegment sales or transfers	2,484	2,022	599	2,712	10,400	3,186	21,403	104,215	125,618	¥ (125,618)	
Total	¥ 385,369	¥ 1,030,834	¥ 285,051	¥ 112,149	¥ 620,870	¥ 850,214	¥ 3,284,487	¥ 637,124	¥ 3,921,611	¥ (125,618)	¥ 3,795,993
Segment profit	¥ 21,567	¥ 106,683	¥ 13,328	¥ 13,229	¥ 114,179	¥ 88,915	¥ 357,901	¥ 23,011	¥ 380,912	¥ (33,771)	¥ 347,141
Segment assets	204,172	309,691	333,387	16,363	641,571	1,287,915	2,793,099	881,450	3,674,549	360,723	4,035,272
Other:											
Depreciation	3,494	8,995	1,717	147	19,306	11,058	44,717	18,256	62,973	1,190	64,163
Increase in property, plant and equipment and other assets	7,595	30,025	5,091	143	58,455	131,182	232,491	52,299	284,790	(199)	284,591

	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

	Thousands of U.S. Dollars										
	2018										
	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	$ 3,612,123	$ 9,705,774	$ 2,683,509	$ 1,032,425	$ 5,759,151	$ 7,990,830	$ 30,783,812	$ 5,027,443	$ 35,811,255		$ 35,811,255
Intersegment sales or transfers	23,434	19,075	5,651	25,585	98,113	30,057	201,915	983,160	1,185,075	$ (1,185,075)	
Total	$ 3,635,557	$ 9,724,849	$ 2,689,160	$ 1,058,010	$ 5,857,264	$ 8,020,887	$ 30,985,727	$ 6,010,603	$ 36,996,330	$ (1,185,075)	$ 35,811,255
Segment profit	$ 203,463	$ 1,006,444	$ 125,735	$ 124,802	$ 1,077,160	$ 838,821	$ 3,376,425	$ 217,084	$ 3,593,509	$ (318,594)	$ 3,274,915
Segment assets	1,926,151	2,921,613	3,145,160	154,368	6,052,557	12,150,142	26,349,991	8,315,566	34,665,557	3,403,047	38,068,604
Other:											
Depreciation	32,962	84,858	16,198	1,387	182,132	104,321	421,858	172,227	594,085	11,226	605,311
Increase in property, plant and equipment and other assets	71,651	283,255	48,028	1,349	551,462	1,237,566	2,193,311	493,387	2,686,698	(1,877)	2,684,821

Notes:

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

2) Reconciliations to segment profit of ¥33,771 million ($318,594 thousand) and ¥26,582 million include intersegment eliminations of ¥890 million ($8,396 thousand) and ¥575 million, the amortization of goodwill of ¥716 million ($6,755 thousand) and ¥716 million, and the corporate expenses not allocated to each business segment of ¥33,597 million ($316,953 thousand) and ¥26,723 million for the years ended March 31, 2018 and 2017, 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 ¥360,723 million ($3,403,047 thousand) and ¥295,529 million include intersegment eliminations of ¥67,142 million ($633,415 thousand) and ¥69,715 million, and the corporate assets of ¥427,865 million ($4,036,462 thousand) and ¥365,244 million for the years ended March 31, 2018 and 2017, 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 ¥1,190 million ($11,226 thousand) and ¥1,050 million include intersegment eliminations of ¥497 million ($4,689 thousand) and ¥470 million, and the depreciation attributable to corporate assets of ¥1,687 million ($15,915 thousand) and ¥1,520 million for the years ended March 31, 2018 and 2017, respectively.

Reconciliations to increase in property, plant and equipment and other assets of ¥199 million ($1,877 thousand) and ¥437 million include intersegment eliminations of ¥1,479 million ($13,952 thousand) and ¥793 million, and the headquarters' capital investments in properties and equipment of ¥1,280 million ($12,075 thousand) and ¥1,230 million for the years ended March 31, 2018 and 2017, 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 2018								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/ Corporate	Consolidated
Impairment losses of assets	¥502	¥1,440	¥154		¥2,914	¥339	¥6,037	¥415	¥11,801

	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

	Thousands of U.S. Dollars 2018								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/ Corporate	Consolidated
Impairment losses of assets	$4,736	$13,585	$1,453		$27,490	$3,198	$56,953	$3,915	$111,330

Amortization of goodwill

	Millions of Yen 2018								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/ Corporate	Consolidated
Amortization of goodwill		¥ 77	¥ 1,293		¥ 877	¥ 2,282	¥ 95		¥ 4,624
Goodwill at March 31, 2018		1,887	13,221		3,410	34,592	7,807		60,917

	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

	Thousands of U.S. Dollars 2018								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/ Corporate	Consolidated
Amortization of goodwill		$ 726	$ 12,198		$ 8,274	$ 21,529	$ 896		$ 43,623
Goodwill at March 31, 2018		17,802	124,726		32,170	326,340	73,651		574,689

16. OTHER INCOME (EXPENSES): OTHER - NET

"Other income (expenses): Other - net" for the years ended March 31, 2018 and 2017 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Real estate acquisition tax and other taxes	¥ (1,942)	¥ (1,744)	$ (18,321)
Allowance for doubtful accounts	(990)	(5,045)	(9,340)
Equity in losses of associated companies	(63)	(1,275)	(594)
Gain on step acquisitions	139		1,311
Gain on sales of investment in unconsolidated subsidiaries and associated companies	125	23	1,180
Other - net	(1,235)	(3,263)	(11,651)
Total	¥ (3,966)	¥ (11,304)	$ (37,415)

17. 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 years ended March 31, 2018 and 2017.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
CURRENT:			
Deferred tax assets:			
Write-down of real estate for sale	¥ 5,101	¥ 7,281	$ 48,123
Accrued bonuses	15,765	14,970	148,726
Accrued enterprise tax	3,970	3,161	37,453
Other	22,641	18,704	213,594
Less valuation allowance	(2,731)	(3,386)	(25,764)
Deferred tax assets	44,746	40,730	422,132
Deferred tax liabilities - other	(1)	(3)	(9)
Net deferred tax assets	¥ 44,745	¥ 40,727	$ 422,123

	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars 2018
NON-CURRENT:			
Deferred tax assets:			
Liability for employees' retirement benefits	¥ 80,082	¥ 84,094	$ 755,491
Unrealized gains on sales of property, plant and equipment	11,412	9,448	107,660
Excess of depreciation of property, plant and equipment	22,572	21,589	212,943
Loss carryforwards	19,236	28,936	181,472
Other	52,441	47,515	494,726
Less valuation allowance	(51,411)	(56,877)	(485,009)
Deferred tax assets	134,332	134,705	1,267,283
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	(2,997)	(2,986)	(28,274)
Net unrealized gain on available-for-sale securities	(31,785)	(37,533)	(299,858)
Other	(10,708)	(10,700)	(101,019)
Deferred tax liabilities	(45,490)	(51,219)	(429,151)
Net deferred tax assets	¥ 88,842	¥ 83,486	$ 838,132

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates for the years ended March 31, 2018 and 2017 is insignificant and not disclosed.

As of March 31, 2018, certain subsidiaries have tax loss carryforwards aggregating to approximately ¥66,612 million ($628,415 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
2019	¥ 6,409	$ 60,462
2020	13,485	127,217
2021	20,504	193,434
2022	9,903	93,425
2023	9,589	90,462
2024 and thereafter	6,722	63,415
Total	¥66,612	$628,415

18. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥8,786 million ($82,887 thousand) and ¥8,381 million for the years ended March 31, 2018 and 2017, respectively.

19. SUPPLEMENTAL CASH FLOW INFORMATION

Year Ended March 31, 2018

Stanley-Martin Communities, LLC was acquired. Assets and liabilities of this company at the time of consolidation, cost of purchase of investments in capital of subsidiaries and purchase of investments in capital of subsidiaries resulting in change in scope of consolidation were as follows:

	Millions of Yen 2018	Thousands of U.S. Dollars 2018
Assets	¥ 74,165	$ 699,670
Liabilities	(46,303)	(436,821)
Goodwill	5,946	56,094
Minority interests	(5,462)	(51,528)
Cost of purchase of investments in capital of subsidiaries	28,346	267,415
Cash and cash equivalents of consolidated subsidiary	(1,843)	(17,387)
Purchase of investments in capital of subsidiaries resulting in change in scope of consolidation	¥ 26,503	$ 250,028

20. 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, 2018 and 2017 were ¥22,665 million ($213,821 thousand) and ¥23,651 million, respectively.

For the years ended March 31, 2018 and 2017, the Company recorded an impairment loss of ¥307 million ($2,896 thousand) and ¥409 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 2018	Thousands of U.S. Dollars 2018
Due within one year	¥ 3,475	$ 32,783
Due after one year	33,572	316,717
Total	¥ 37,047	$ 349,500

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			
	2018			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 211,129	¥ 168	¥	¥ 211,297
Accumulated depreciation	142,990	115		143,105
Accumulated impairment loss	4,845			4,845
Net leased property	¥ 63,294	¥ 53	¥	¥ 63,347

	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

	Thousands of U.S. Dollars			
	2018			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	$ 1,991,783	$ 1,585	$	$ 1,993,368
Accumulated depreciation	1,348,962	1,085		1,350,047
Accumulated impairment loss	45,708			45,708
Net leased property	$ 597,113	$ 500	$	$ 597,613

Obligations under finance leases as of March 31, 2018 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Due within one year	¥ 14,132	¥ 23,467	$ 133,321
Due after one year	69,717	84,149	657,707
Total	¥ 83,849	¥ 107,616	$ 791,028

The allowance for impairment loss on leased property of ¥2,281 million ($21,519 thousand) and ¥2,734 million as of March 31, 2018 and 2017, 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
	2018	2017	2018
Depreciation expense	¥10,498	¥11,927	$ 99,038
Interest expense	5,344	6,484	50,415
Total	¥15,842	¥18,411	$149,453
Lease payments	¥18,209	¥20,639	$171,783
Reversal of allowance for impairment loss on leased property	760	686	7,170
Impairment loss	307	402	2,896

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
	2018	2017	2018
Gross lease receivables	¥ 45,282	¥ 32,812	$ 427,189
Unguaranteed residual values	1,992	1,023	18,792
Unearned interest income	(17,716)	(10,954)	(167,132)
Lease investment assets, current	¥ 29,558	¥ 22,881	$ 278,849

Maturities of lease receivables for finance leases that were deemed to transfer ownership of the leased property to the lessee as of March 31, 2018 are as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2019	¥ 640	$ 6,038
2020	1,203	11,349
2021	365	3,443
2022	332	3,132
2023	313	2,953
2024 and thereafter	1,754	16,547
Total	¥4,607	$43,462

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, 2018 are as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2019	¥ 6,188	$ 58,377
2020	5,410	51,038
2021	3,975	37,500
2022	3,150	29,717
2023	2,591	24,444
2024 and thereafter	23,968	226,113
Total	¥45,282	$427,189

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, 2018 and 2017 consisted of the following:

	Machinery and Equipment		
	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Acquisition cost	¥	¥32	$
Accumulated depreciation		30	
Net leased property	¥	¥ 2	$

Future rental income under finance leases as of March 31, 2018 and 2017 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Due within one year	¥	¥ 2	$
Total	¥	¥ 2	$

Rental income, interest income and depreciation expense under finance leases at March 31, 2018 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Rental income	¥2	¥4	$19
Interest income	0	0	0
Depreciation expense	2	4	19

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, 2018 and 2017 were as follows:

(Lessee)

	Millions of Yen		Thousands of U.S. Dollars
	2018 As Restated (Note 2.x)	2017	2018 As Restated (Note 2.x)
Due within one year	¥ 53,353	¥ 52,468	$ 503,330
Due after one year	498,951	469,426	4,707,085
Total	¥ 552,304	¥ 521,894	$ 5,210,415

(Lessor)

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Due within one year	¥ 7,412	¥ 3,514	$ 69,925
Due after one year	227,666	211,955	2,147,792
Total	¥ 235,078	¥ 215,469	$ 2,217,717

21. 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 22 for the details of fair value for derivatives and derivative risks.

(a) Fair value of financial instruments

	Millions of Yen		
	2018		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 326,131	¥ 326,131	
Short-term investments	4,676	4,676	
Receivables	360,396		
Allowance for doubtful receivables	(838)		
	359,558	359,548	¥ (10)
Marketable and investment securities:			
Held-to-maturity	4,473	4,617	144
Current portion of investments in unconsolidated subsidiaries and associated companies	1,990	1,990	
Available-for-sale	175,839	175,839	
Lease deposits	222,054		
Allowance for doubtful accounts	(500)		
	221,554	218,697	(2,857)
Total	¥ 1,094,221	¥ 1,091,498	¥ (2,723)
Short-term bank loans	¥ 93,844	¥ 93,844	
Payables	574,745	574,745	
Income taxes payable	61,827	61,827	
Long-term debt (Bonds)	307,453	307,800	¥ 347
Long-term debt (Loans from banks)	379,277	383,991	4,714
Lease deposits received	270,011	264,518	(5,493)
Total	¥ 1,687,157	¥ 1,686,725	¥ (432)
Derivatives	¥205	¥205	

	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
Current portion of investments in unconsolidated subsidiaries and associated companies	1,990	1,990	
Investments in unconsolidated subsidiaries and associated companies	766	631	(135)
Available-for-sale	196,260	196,260	
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	

	Thousands of U.S. Dollars		
	2018		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 3,076,708	$ 3,076,708	
Short-term investments	44,113	44,113	
Receivables	3,399,962		
Allowance for doubtful receivables	(7,906)		
	3,392,056	3,391,962	$ (94)
Marketable and investment securities:			
Held-to-maturity	42,198	43,557	1,359
Current portion of investments in unconsolidated subsidiaries and associated companies	18,773	18,773	
Available-for-sale	1,658,859	1,658,859	
Lease deposits	2,094,849		
Allowance for doubtful accounts	(4,717)		
	2,090,132	2,063,179	(26,953)
Total	$ 10,322,839	$ 10,297,151	$ (25,688)
Short-term bank loans	$ 885,321	$ 885,321	
Payables	5,422,123	5,422,123	
Income taxes payable	583,274	583,274	
Long-term debt (Bonds)	2,900,500	2,903,774	$ 3,274
Long-term debt (Loans from banks)	3,578,085	3,622,557	44,472
Lease deposits received	2,547,274	2,495,453	(51,821)
Total	$ 15,916,577	$ 15,912,502	$ (4,075)
Derivatives	$1,934	$1,934	

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 22.

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Equity securities	¥84,463	¥82,529	$796,821
Preferred fund certificates	17,850	18,877	168,396
Bonds	8,000	8,000	75,472
Investments in limited liability partnership and other	11,534	9,252	108,811

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

	Millions of Yen			
	2018			
	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	¥326,131			
Short-term investments	4,676			
Receivables	342,764	¥13,155	¥ 3,814	¥ 663
Marketable and investment securities:				
Held-to-maturity		2,760	1,828	10
Current portion of investments in unconsolidated subsidiaries and associated companies	1,990			
Available-for-sale securities with contractual maturities	50	292		120
Lease deposits	26,040	73,080	60,398	66,787
Total	¥701,651	¥89,287	¥66,040	¥67,580

	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
Current portion of investments in unconsolidated subsidiaries and associated companies	1,990			
Available-for-sale securities with contractual maturities	16	150		120
Lease deposits	23,440	71,828	58,313	66,259
Total	¥541,751	¥84,482	¥65,346	¥67,160

	Thousands of U.S. Dollars			
	2018			
	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	$ 3,076,708			
Short-term investments	44,113			
Receivables	3,233,622	$ 124,104	$ 35,981	$ 6,255
Marketable and investment securities:				
Held-to-maturity		26,038	17,245	94
Current portion of investments in unconsolidated subsidiaries and associated companies	18,773			
Available-for-sale securities with contractual maturities	472	2,755		1,132
Lease deposits	245,660	689,434	569,792	630,066
Total	$ 6,619,348	$ 842,331	$ 623,018	$ 637,547

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

22. 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, 2018 and 2017 were as follows:

	Millions of Yen								Thousands of U.S. Dollars			
	2018				2017				2018			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain
Interest rate swaps:												
(fixed rate payment, floating rate receipt)	¥11,956	¥	¥220	¥220					$112,792	$	$2,075	$2,075

Derivative transactions to which hedge accounting was applied as of March 31, 2018 and 2017 were as follows:

		Millions of Yen						Thousands of U.S. Dollars		
		2018			2017			2018		
	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	¥37,010	¥35,629		¥39,121	¥36,632		$349,151	$336,123	
(floating rate payment, fixed rate receipt)	(Loans from banks)	6,960	6,960		6,960	6,960		65,660	65,660	
Total		¥43,970	¥42,589		¥46,081	¥43,592		$414,811	$401,783	
Currency swaps:	Long-term debt									
(payment in yen, receipt in U.S. dollars)	(Loans from banks)	¥10,000			¥10,000	¥10,000		$94,340		
Interest rate and currency swaps:										
(fixed rate payment in yen, floating rate receipt in U.S. dollars)	Long-term debt (Loans from banks)	¥36,128	¥26,128		¥20,000	¥20,000		$340,830	$246,491	
(fixed rate payment in Malaysian ringgit, floating rate receipt in U.S. dollars)	Short-term bank loans	340		¥(12)	171		¥10	3,208		$(113)
Total		¥36,468	¥26,128	¥(12)	¥20,171	¥20,000	¥10	$344,038	$246,491	$(113)
Foreign currency forward contracts:										
Buying U.S. dollars	Scheduled transaction denominated in	¥ 105		¥ (3)	¥ 78		¥ 4	$ 991		$ (28)
Buying EURO	foreign currencies	1		(0)				9		(0)
Total		¥ 106		¥ (3)	¥ 78		¥ 4	$ 1,000	$	$ (28)

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

23. CONTINGENCIES

At March 31, 2018, contingent liabilities for notes endorsed with recourse and loans guaranteed in the ordinary course of business amounted to ¥37 million ($349 thousand) and ¥16,832 million ($158,792 thousand), respectively.

24. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2018 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrealized gain (loss) on available-for-sale securities:			
Gain (loss) arising during the year	¥ (6,007)	¥ 6,234	$ (56,670)
Reclassification adjustments to loss	(13,196)	(978)	(124,491)
Amount before income tax effect	(19,203)	5,256	(181,161)
Income tax effect	5,774	(1,528)	54,472
Total	¥(13,429)	¥ 3,728	$(126,689)
Deferred loss on derivatives under hedge accounting:			
Loss arising during the year	¥ (48)	¥ (34)	$ (453)
Reclassification adjustments to profit	0	0	0
Amount before income tax effect	(48)	(34)	(453)
Income tax effect	21	(7)	198
Total	¥ (27)	¥ (41)	$ (255)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 1,655	¥(2,366)	$ 15,613
Reclassification adjustments to profit	202	5	1,906
Total	¥ 1,857	¥(2,361)	$ 17,519
Share of other comprehensive income (loss) in associated companies:			
Income (loss) arising during the year	¥ 1,341	¥(4,862)	$ 12,651
Total	¥ 1,341	¥(4,862)	$ 12,651
Total other comprehensive income	¥(10,258)	¥(3,536)	$ (96,774)

25. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2018 will be approved at the parent company's shareholders' meeting held on June 28, 2018:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥62 ($0.58) per share	¥41,303	$389,651

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