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

Consolidated Financial Statements as of and for the Year Ended March 31, 2019, 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, 2019, 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, 2019, 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 24, 2019

Member of
Deloitte Touche Tohmatsu Limited

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

Consolidated Balance Sheet
March 31, 2019

ASSETS	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
CURRENT ASSETS:			
Cash and cash equivalents (Notes 8 and 20)	¥ 276,298	¥ 326,131	$ 2,489,171
Marketable securities (Notes 3 and 20)	892	50	8,036
Current portion of investments in unconsolidated subsidiaries and associated companies (Note 20)		1,990	
Current portion of advances to unconsolidated subsidiaries and associated companies	1,685		15,180
Lease receivables and investments in lease (Note 19)	31,835	33,226	286,802
Mortgage notes receivable held for sale (Note 8)	14,625	12,430	131,757
Short-term investments (Note 20)	3,561	4,676	32,081
Receivables (Notes 8 and 20):			
Trade notes	23,322	20,549	210,108
Trade accounts	367,463	339,547	3,310,477
Unconsolidated subsidiaries and associated companies	138	300	1,243
Allowance for doubtful receivables	(8,665)	(8,836)	(78,063)
Inventories (Notes 4 and 8)	955,666	784,256	8,609,604
Prepaid expenses and other current assets (Note 8)	254,224	215,692	2,290,307
Total current assets	1,921,044	1,730,011	17,306,703
PROPERTY, PLANT AND EQUIPMENT (Note 7):			
Land (Notes 5, 6 and 8)	811,206	776,342	7,308,162
Buildings and structures (Notes 6 and 8)	1,024,833	970,762	9,232,730
Machinery and equipment (Note 6)	151,313	143,150	1,363,180
Furniture and fixtures (Note 6)	64,462	61,921	580,739
Lease assets (Notes 6 and 19)	50,579	32,163	455,667
Construction in progress (Note 6)	89,731	72,670	808,387
Total	2,192,124	2,057,008	19,748,865
Accumulated depreciation	(583,575)	(555,509)	(5,257,433)
Net property, plant and equipment	1,608,549	1,501,499	14,491,432
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 20)	181,197	219,145	1,632,405
Investments in unconsolidated subsidiaries and associated companies (Note 20)	84,419	82,964	760,532
Advances to unconsolidated subsidiaries and associated companies	582	504	5,243
Long-term loans receivable	3,174	13,668	28,595
Lease deposits (Note 20)	229,790	222,054	2,070,180
Deferred tax assets (Note 16)	157,499	135,603	1,418,910
Goodwill (Note 6)	72,899	60,917	656,748
Other assets (Notes 6 and 8)	77,554	71,501	698,684
Allowance for doubtful accounts	(2,670)	(2,807)	(24,054)
Total investments and other assets	804,444	803,549	7,247,243
TOTAL	¥ 4,334,037	¥ 4,035,059	$ 39,045,378

LIABILITIES AND EQUITY	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
CURRENT LIABILITIES:			
Short-term bank loans (Notes 8 and 20)	¥ 97,632	¥ 93,844	$ 879,568
Current portion of long-term debt (Notes 8, 19 and 20)	140,161	85,160	1,262,712
Payables (Note 20):			
Trade notes	180,579	160,013	1,626,838
Trade accounts	347,324	317,945	3,129,045
Unconsolidated subsidiaries and associated companies	2,569	1,494	23,144
Other accounts	117,363	95,293	1,057,324
Deposits received from customers	165,187	124,572	1,488,171
Income taxes payable (Note 20)	69,945	61,827	630,135
Accrued bonuses	56,289	53,145	507,108
Provision for product warranties	8,003	8,233	72,099
Asset retirement obligations (Note 10)	1,985	2,093	17,883
Advances received	55,701	61,597	501,811
Accrued expenses and other current liabilities	159,112	133,133	1,433,441
Total current liabilities	1,401,850	1,198,349	12,629,279
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8, 19 and 20)	593,636	638,617	5,348,072
Liability for employees' retirement benefits (Note 9)	263,019	258,581	2,369,541
Deferred tax liabilities on land revaluation (Note 5)	20,042	20,074	180,559
Long-term deposits received from the Company's club members	2,367	2,828	21,324
Lease deposits received (Note 20)	276,591	270,011	2,491,811
Asset retirement obligations (Note 10)	45,333	41,027	408,405
Other long-term liabilities	87,482	91,987	788,126
Total long-term liabilities	1,288,470	1,323,125	11,607,838
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 19, 21 and 22)			
EQUITY (Notes 11 and 12):			
Common stock – authorized, 1,900,000,000 shares; issued, 666,238,205 shares in 2019 and 2018	161,699	161,699	1,456,748
Capital surplus	310,880	311,910	2,800,721
Stock acquisition rights	115	115	1,036
Retained earnings (Note 24)	1,066,706	903,550	9,609,964
Treasury stock – at cost, 2,436,961 shares in 2019 and 1,482,493 shares in 2018	(8,316)	(4,631)	(74,919)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	51,016	75,258	459,603
Deferred loss on derivatives under hedge accounting	(21)	(35)	(189)
Revaluation reserve for land (Note 5)	6,454	6,189	58,144
Foreign currency translation adjustments	7,574	20,600	68,234
Total	1,596,107	1,474,655	14,379,342
Non-controlling interests	47,610	38,930	428,919
Total equity	1,643,717	1,513,585	14,808,261
TOTAL	¥ 4,334,037	¥ 4,035,059	$ 39,045,378

See notes to consolidated financial statements.

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

Consolidated Statement of Income
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
NET SALES	¥ 4,143,505	¥ 3,795,993	$ 37,328,873
COST OF SALES (Note 9)	3,300,738	3,002,161	29,736,378
Gross profit	842,767	793,832	7,592,495
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 9 and 17)	470,571	446,691	4,239,378
Operating income	372,196	347,141	3,353,117
OTHER INCOME (EXPENSES):			
Interest income and dividends	8,444	7,221	76,072
Interest expense	(7,504)	(5,545)	(67,604)
Write-down of investment securities (Note 3)	(3,784)	(14)	(34,090)
Gain (loss) on sales and disposal of property, plant and equipment	(137)	83	(1,234)
Gain on sales of investment securities (Note 3)	2,617	13,196	23,576
Impairment loss (Note 6)	(6,329)	(11,801)	(57,018)
Loss on disaster	(798)		(7,189)
Other – net (Note 15)	(12,474)	(3,966)	(112,378)
Other expenses – net	(19,965)	(826)	(179,865)
INCOME BEFORE INCOME TAXES	352,231	346,315	3,173,252
INCOME TAXES (Note 16):			
Current	121,676	111,017	1,096,180
Deferred	(11,477)	(4,605)	(103,396)
Total income taxes	110,199	106,412	992,784
NET INCOME	242,032	239,903	2,180,468
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(4,593)	(3,546)	(41,378)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 237,439	¥ 236,357	$ 2,139,090

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 13):			
Basic net income	¥357.29	¥355.87	$3.22
Diluted net income	357.09	355.86	3.22
Cash dividends applicable to the year	114.00	107.00	1.03

See notes to consolidated financial statements.

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

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
NET INCOME	¥ 242,032	¥ 239,903	$ 2,180,468
OTHER COMPREHENSIVE INCOME (LOSS) (Note 23):			
Unrealized loss on available-for-sale securities	(24,293)	(13,429)	(218,855)
Deferred gain (loss) on derivatives under hedge accounting	10	(27)	90
Foreign currency translation adjustments	(10,543)	1,857	(94,982)
Share of other comprehensive income (loss) in associated companies	(3,678)	1,341	(33,135)
Total other comprehensive loss	(38,504)	(10,258)	(346,882)
COMPREHENSIVE INCOME	¥ 203,528	¥ 229,645	$ 1,833,586
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥200,187	¥226,269	$1,803,487
Non-controlling interests	3,341	3,376	30,099

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, 2019

	Thousands	Millions of Yen											
							Accumulated Other Comprehensive Income (Loss)						
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Revaluation Reserve for Land	Foreign Currency Translation Adjustments	Total	Non-controlling Interests	Total Equity
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 in 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, APRIL 1, 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
Net income attributable to owners of the parent					237,439						237,439		237,439
Cash dividends, ¥112.0 per share					(74,612)						(74,612)		(74,612)
Change in ownership interest of parent due to transactions with non-controlling interests			(1,030)								(1,030)		(1,030)
Change in scope of consolidation					649						649		649
Reversal of revaluation reserve for land					(265)						(265)		(265)
Purchase of treasury stock	(2,304)					(7,982)					(7,982)		(7,982)
Disposal of treasury stock	1,349				(55)	4,297					4,242		4,242
Net change in the year				(0)			(24,242)	14	265	(13,026)	(36,989)	8,680	(28,309)
BALANCE, MARCH 31, 2019	663,801	¥161,699	¥310,880	¥115	¥1,066,706	¥(8,316)	¥ 51,016	¥(21)	¥6,454	¥ 7,574	¥1,596,107	¥47,610	¥1,643,717

(Continued)

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

Consolidated Statement of Changes in Equity
Year Ended March 31, 2019

	Thousands of U.S. Dollars (Note 1)												
						Accumulated Other Comprehensive Income (Loss)							
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Revaluation Reserve for Land	Foreign Currency Translation Adjustments	Total	Non-controlling Interests	Total Equity
BALANCE, APRIL 1, 2018	$ 1,456,748	$ 2,810,000	$ 1,036	$ 8,140,090	$ (41,721)	$ 678,000	$ (315)	$ 55,757	$ 185,585	$ 13,285,180	$ 350,721	$ 13,635,901
Net income attributable to owners of the parent				2,139,090						2,139,090		2,139,090
Cash dividends, $1.01 per share				(672,180)						(672,180)		(672,180)
Change in ownership interest of parent due to transactions with non-controlling interests		(9,279)								(9,279)		(9,279)
Change in scope of consolidation				5,846						5,846		5,846
Reversal of revaluation reserve for land				(2,387)						(2,387)		(2,387)
Purchase of treasury stock					(71,910)					(71,910)		(71,910)
Disposal of treasury stock				(495)	38,712					38,217		38,217
Net change in the year			(0)			(218,397)	126	2,387	(117,351)	(333,235)	78,198	(255,037)
BALANCE, MARCH 31, 2019	$ 1,456,748	$ 2,800,721	$ 1,036	$ 9,609,964	$ (74,919)	$ 459,603	$ (189)	$ 58,144	$ 68,234	$ 14,379,342	$ 428,919	$ 14,808,261

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, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
OPERATING ACTIVITIES:			
Income before income taxes	¥ 352,231	¥ 346,315	$ 3,173,252
Adjustments for:			
Income taxes – paid	(114,310)	(100,904)	(1,029,820)
Depreciation	71,021	64,163	639,829
Write-down of investment securities	3,784	14	34,090
Loss (gain) on sales and disposal of property, plant and equipment	137	(83)	1,234
Impairment loss	6,329	11,801	57,018
Equity in losses of associated companies	13,081	63	117,847
Changes in certain assets and liabilities, net of consolidation:			
Increase in receivables	(28,075)	(43,228)	(252,928)
Increase in inventories	(71,573)	(53,321)	(644,802)
Increase in payables	49,758	94,329	448,270
Increase in deposits received from customers	37,062	10,623	333,892
Increase (decrease) in advances received	(5,621)	12,712	(50,640)
Increase (decrease) in liability for employees' retirement benefits	4,438	(12,986)	39,982
Other – net	37,338	52,867	336,379
Total adjustments	3,369	36,050	30,351
Net cash provided by operating activities	355,600	382,365	3,203,603
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(255,940)	(276,941)	(2,305,766)
Purchases of investment securities	(5,246)	(7,580)	(47,261)
Increase in investments in and advances to unconsolidated subsidiaries and associated companies	(18,328)	(10,284)	(165,117)
Decrease in investments in and advances to unconsolidated subsidiaries and associated companies	3,118	5,017	28,090
Proceeds from sales and redemption of investment securities	10,405	21,898	93,739
Proceeds from sales of property, plant and equipment	9,496	10,651	85,550
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 18)	(39,369)	(15,451)	(354,676)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	268	159	2,414
Purchase of investments in capital of subsidiaries resulting in change in scope of consolidation (Note 18)	(964)	(26,503)	(8,685)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	1,744		15,712
Payments for acquisition of business	(8,000)		(72,072)
Decrease in lease deposits	(6,049)	(6,227)	(54,495)
Other – net	(5,125)	(8,404)	(46,172)
Net cash used in investing activities	¥ (313,990)	¥ (313,665)	$ (2,828,739)

(Continued)

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

Consolidated Statement of Cash Flows
Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term bank loans	¥ 5,070	¥ (20,727)	$ 45,676
Proceeds from long-term debt – Loans from banks	85,919	106,659	774,045
Repayments of long-term debt – Loans from banks	(80,583)	(94,902)	(725,973)
Proceeds from issuance of bonds		107,535	
Redemption of bonds	(20,101)	(85)	(181,090)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,469)	(86)	(13,234)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		2,191	
Repayments of finance lease obligations	(5,552)	(3,535)	(50,018)
Proceeds from share issuance to non-controlling shareholders	7,338	6,959	66,108
Repayments to non-controlling shareholders	(1,068)	(2)	(9,622)
Purchase of treasury stock	(7,982)	(26)	(71,910)
Proceeds from disposal of treasury stock	4,241	3,836	38,207
Dividends paid to shareholders	(74,612)	(64,618)	(672,180)
Dividends paid to non-controlling interests	(2,040)	(1,394)	(18,378)
Proceeds from receivables sold to trust	2,900		26,126
Other – net	959		8,640
Net cash provided by (used in) financing activities	(86,980)	41,805	(783,603)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(4,463)	2,316	(40,207)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(49,833)	112,821	(448,946)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	326,131	213,310	2,938,117
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 276,298	¥ 326,131	$ 2,489,171

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 2018 consolidated financial statements to conform to the classifications used in 2019.

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 ¥111 to $1, the approximate rate of exchange at March 31, 2019. 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, 2019 include the accounts of the parent company and its 340 significant (281 in 2018) 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 nil (one in 2018) unconsolidated subsidiaries and 42 (28 in 2018) 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, 2019, 71 subsidiaries were included in the consolidation as a result of new formation or acquisition and 12 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, for which there is a 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, short-term loans receivable (other current assets) and long-term loans receivable pledged as collateral for investee's debts and other items were ¥66 million ($595 thousand), ¥37 million ($333 thousand), ¥2 million ($18 thousand) and ¥16 million ($144 thousand), respectively as of March 31, 2019. Investment securities deposited in accordance with the Act on Assurance of Performance of Specified Housing Defect Warranty were ¥4,509 million ($40,622 thousand) as of March 31, 2019. 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 ¥60 million ($541 thousand), respectively as of March 31, 2019.

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 ¥2,153 million ($19,396 thousand) as of March 31, 2019.

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 ¥14 million ($126 thousand) and other current liabilities of ¥1 million ($9 thousand) were ¥16 million ($144 thousand) as of March 31, 2019.

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.

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 that existed at the transition date and that 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 continues to account for leases that existed at the transition date and that 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 investments in lease.

All other leases are accounted for as operating leases.

l. ***Accounting Standard for Retirement Benefits*** – The parent company and certain of its subsidiaries have funded defined benefit plans, unfunded retirement benefit plans and defined contribution plans. The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs are recognized in profit or loss in the period in which the gains and losses are incurred.

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 income tax rates to the temporary differences.

On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. The Company retrospectively applied the revised accounting standard effective April 1, 2018, and deferred tax assets of ¥44,746 million and deferred tax liabilities of ¥1 million which were previously classified as current assets and current liabilities, respectively, as of March 31, 2018, have been reclassified as investments and other assets and long-term liabilities, respectively, in the accompanying consolidated balance sheet. Deferred tax assets and liabilities of the same tax-payer are offset and both total assets and total liabilities decreased by ¥213 million compared with those before the change.

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. The 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.

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, 2019 and 2018 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

Accounting Standard for Revenue Recognition

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.

Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements and Accounting Policies Applied to Associates Accounted for Using the Equity Method

On September 14, 2018, the ASBJ issued PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for the Consolidated Financial Statements," and PITF No. 24, "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" in which the following revisions are included.

In case that foreign subsidiaries elect to present fair value changes on equity investments in other comprehensive income, the practical solutions require to adjust the gains or losses on the sale of equity investments to profit or loss in the consolidation process.

In addition, the practical solutions also require to adjust the amount recognized as an impairment losses to loss for the period in the consolidation process.

The practical solutions are effective for annual periods beginning on or after April 1, 2019.

The Company will apply the practical solutions for annual periods beginning on or after April 1, 2019, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

Accounting Standard for Business Combinations and Accounting Standard for Business Divestures

On January 16, 2019, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," and revised ASBJ Guidance No. 10, "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestures" in which the following revisions are included.

The return of purchase consideration was added to definition of "contingent consideration" and the accounting treatment related to the contingent consideration with the return of purchase consideration was newly defined.

Due to the revision of ASBJ Guidance No. 10, "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," the accounting treatment related to the shareholders of the entity of business combination was revised to make consistent with ASBJ Statement No. 7, "Accounting Standard for Business Divestitures."

Furthermore, the split-off type of corporate division was changed to be treated as the non-tax qualified business combination, and the related accounting treatment for tax effects under the condition that the due date of split-off was on the beginning day of period of the entity was deleted due to the abolition of the deemed fiscal year of the split-off type of corporate division by the reform of tax law in 2010.

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2019.

The Company will apply the accounting standard and guidance to the reorganizations to be implemented for annual periods beginning on or after April 1, 2019. The effects of applying the accounting standard and guidance in future applicable periods have not yet been decided.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2019 and 2018 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Current:			
Government and corporate bonds	¥892	¥50	$8,036
Non-current:			
Equity securities	¥ 148,861	¥ 188,587	$ 1,341,090
Government and corporate bonds	3,930	4,885	35,405
Investments in limited liability partnership	13,790	11,534	124,234
Preferred fund certificates	14,578	14,100	131,333
Other	38	39	343
Total	¥ 181,197	¥ 219,145	$ 1,632,405

The costs and aggregate fair values of marketable and investment securities as of March 31, 2019 and 2018 were as follows:

	Millions of Yen			
	2019			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥62,105	¥76,698	¥1,002	¥137,801
Debt securities	312			312
Other	34	4		38
Held-to-maturity	4,510	118		4,628

	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

	Thousands of U.S. Dollars			
	2019			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$559,505	$690,972	$9,027	$1,241,450
Debt securities	2,810			2,810
Other	306	37		343
Held-to-maturity	40,631	1,063		41,694

Available-for-sale securities whose fair values cannot be reliably determined as of March 31, 2019 and 2018 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Available-for-sale:			
Equity securities	¥ 11,060	¥ 13,249	$ 99,640
Preferred fund certificates	14,578	14,100	131,333
Investments in limited liability partnership and other	13,790	11,534	124,234
Total	¥ 39,428	¥ 38,883	$ 355,207

The information for available-for-sale securities which were sold during the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen		
March 31, 2019	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥5,833	¥2,618	¥132

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

	Thousands of U.S. Dollars		
March 31, 2019	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$52,550	$23,586	$1,189

The impairment losses on available-for-sale equity securities for the years ended March 31, 2019 and 2018 were ¥3,784 million ($34,090 thousand) and ¥14 million, stated as write-down of investment securities in other income (expenses), respectively.

4. INVENTORIES

Inventories at March 31, 2019 and 2018 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Real estate for sale	¥ 128,213	¥ 116,508	$ 1,155,072
Construction projects in progress	79,305	58,627	714,460
Real estate for sale in process	101,708	84,800	916,288
Land held:			
For resale	520,078	439,549	4,685,387
Under development	99,897	61,172	899,973
Undeveloped	967	647	8,712
Merchandise, construction materials and others	25,498	22,953	229,712
Total	¥ 955,666	¥ 784,256	$ 8,609,604

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 its business, the Company purchases land for development and resale.

5. LAND REVALUATION

Under the "Law of Land Revaluation," the parent company and its certain domestic 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 appreciation 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, 2019 and 2018, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥5,704 million ($51,387 thousand) and ¥10,800 million, respectively.

6. LONG-LIVED ASSETS

The Company recognized impairment losses of the following groups of assets for the years ended March 31, 2019 and 2018:

2019

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	¥3,440	$30,991
Home center	Buildings and structures, machinery and equipment and furniture and fixtures	Saitama Prefecture and others	3	27
Facilities of health & leisure	Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets	Tokyo Prefecture and others	735	6,622
Offices, factories and others	Buildings and structures, furniture and fixtures and land	Kyoto Prefecture and others	122	1,099
Idle assets	Land	Tochigi Prefecture	36	324
Others	Buildings and structures, furniture and fixtures, lease assets and goodwill	Tokyo Prefecture and others	1,993	17,955
Total			¥6,329	$57,018

2018

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	Saitama Prefecture and others	¥ 3,345
Home center	Buildings and structures, machinery and equipment and furniture and fixtures	Chiba Prefecture and others	797
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
Offices, factories and others	Buildings and structures, furniture and fixtures and land	Osaka Prefecture and others	2,317
Others	Buildings and structures, machinery and equipment, furniture and fixtures and other assets	Tokyo Prefecture and others	300
Total			¥11,801

The Company classified the fixed assets by its business control unit such as branch office, plant and each property leased, which controls its revenue and expenditures.
The carrying amounts 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 ¥28,414 million ($255,982 thousand), ¥780 million ($7,027 thousand) and ¥2,773 million ($24,982 thousand), respectively, for the year ended March 31, 2019. The net of rental income and operating expenses, gain on sales and disposal, and impairment loss for those rental properties were ¥26,325 million, ¥17 million and ¥3,024 million, respectively, for the year ended March 31, 2018.

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 or 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, 2018	Increase/Decrease	March 31, 2019	March 31, 2019
¥978,317	¥77,727	¥1,056,044	¥1,161,231

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

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
April 1, 2018	Increase/Decrease	March 31, 2019	March 31, 2019
$8,813,667	$700,243	$9,513,910	$10,461,541

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 fiscal year ended March 31, 2019 primarily represents the acquisition of certain properties of ¥216,248 million ($1,948,180 thousand) and decrease primarily represents depreciation of ¥27,200 million ($245,045 thousand) and the transfer to inventories of ¥92,729 million ($835,396 thousand).

3) Increase during the fiscal year ended March 31, 2018 primarily represents the acquisition of certain properties of ¥194,186 million and decrease primarily represents depreciation of ¥25,103 million and the transfer to inventories of ¥84,118 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 AND LONG-TERM DEBT

The annual interest rates for short-term bank loans ranged from 0.12% to 2.96% and 0.12% to 4.21% at March 31, 2019 and 2018, respectively. The collateralized short-term bank loans were ¥19,692 million ($177,405 thousand) at March 31, 2019.

Long-term debt as of March 31, 2019 and 2018 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Bonds, 0.00% to 0.77% (0.00% to 7.20% in 2018), due on various dates through 2037:			
Collateralized		¥ 453	
Unsecured	¥ 287,000	307,000	$ 2,585,586
Loans from banks, 0.00% to 4.90% (0.25% to 5.22% in 2018), due on various dates through 2057:			
Collateralized	62,847	42,853	566,189
Unsecured	328,169	336,424	2,956,477
Obligations under finance leases	55,781	37,047	502,532
Total	733,797	723,777	6,610,784
Less current portion	140,161	85,160	1,262,712
Long-term debt – net of current portion	¥ 593,636	¥ 638,617	$ 5,348,072

Annual maturities of long-term debt, excluding finance lease (see Note 20) as of March 31, 2019 were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥ 135,442	$ 1,220,198
2021	137,561	1,239,288
2022	68,012	612,721
2023	71,454	643,730
2024	59,805	538,784
2025 and thereafter	205,742	1,853,531
Total	¥ 678,016	$ 6,108,252

The carrying amounts of assets pledged as collateral for short-term bank loans and long-term debt, excluding finance lease (see Note 19) as of March 31, 2019 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥ 1,431	$ 12,892
Receivables	14,689	132,333
Mortgage notes receivable held for sale	14,106	127,081
Real estate for sale	40,128	361,514
Real estate for sale in process	51,176	461,045
Other current assets	8,249	74,315
Buildings and structures	3,737	33,667
Land	4,446	40,054
Other assets	1	9
Total	¥ 137,963	$ 1,242,910

Stocks of consolidated subsidiaries used as collateral amounted to ¥374 million ($3,369 thousand) as of March 31, 2019, 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 banks. The Company has never been requested to provide any additional collateral.

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 for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥ 590,779	¥ 567,288	$ 5,322,333
Service cost	28,104	27,023	253,189
Interest cost	4,788	4,599	43,135
Adjustments for business restructurings	(8)	(547)	(72)
Actuarial losses	3,373	6,810	30,388
Benefits paid	(13,467)	(14,394)	(121,324)
Balance at end of year	¥ 613,569	¥ 590,779	$ 5,527,649

(2) The changes in plan assets for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥ 332,198	¥ 295,739	$ 2,992,775
Actuarial gains	6,390	17,687	57,568
Contributions from the employer	20,058	26,339	180,702
Benefits paid	(8,096)	(7,567)	(72,937)
Balance at end of year	¥ 350,550	¥ 332,198	$ 3,158,108

(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, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Funded defined benefit obligation	¥ 514,712	¥ 494,420	$ 4,637,045
Plan assets	(350,550)	(332,198)	(3,158,108)
	164,162	162,222	1,478,937
Unfunded defined benefit obligation	98,857	96,359	890,604
Net liability for defined benefit obligation	¥ 263,019	¥ 258,581	$ 2,369,541

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Liability for retirement benefits	¥ 263,019	¥ 258,581	$ 2,369,541
Net liability for defined benefit obligation	¥ 263,019	¥ 258,581	$ 2,369,541

(4) The components of net periodic benefit costs for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Service cost	¥ 28,104	¥ 27,023	$ 253,189
Interest cost	4,788	4,599	43,135
Amortization of actuarial gain for employees' retirement benefits	(3,017)	(10,877)	(27,180)
Net periodic benefit costs	¥ 29,875	¥ 20,745	$ 269,144

(5) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2019 and 2018, consisted of the following:

	2019	2018
Domestic debt instruments	1 %	1 %
Overseas debt instruments	7	7
Domestic equity instruments	10	12
Overseas equity instruments	7	8
Cash and cash equivalents	14	15
Private equity fund	17	15
Hedge fund	18	19
General accounts	10	9
Others	16	14
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 for the years ended March 31, 2019 and 2018, were set forth as follows:

	2019	2018
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 %	2.6 %
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 ¥3,017 million ($27,180 thousand) and ¥10,877 million for the years ended March 31, 2019 and 2018, respectively.

(8) Defined contribution plans

Required contributions to defined contribution plans of the parent company and its certain subsidiaries were ¥6,175 million ($55,631 thousand) and ¥5,935 million for the years ended March 31, 2019 and 2018, respectively.

10. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥43,120	¥39,563	$388,468
Additional provisions associated with the acquisition of property, plant and equipment	4,317	3,882	38,892
Reconciliation associated with passage of time	695	702	6,261
Reduction associated with settlement of asset retirement obligations	(814)	(1,027)	(7,333)
Balance at end of year	¥47,318	¥43,120	$426,288

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's 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's 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. The Employee Incentive Plan was terminated in February 2019, as all the parent company's share held by the trust were sold to the Employee Shareholders Association.

(2) The trust held the treasury stock and long-term debt, which was included in the consolidated balance sheet of the Company as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Treasury stock	¥ 316	¥ 4,481	$2,847
(The number of thousands of shares as of the fiscal year ended)	(113)	(1,423)	
(The average number of thousands of shares during the fiscal year)	(742)	(2,005)	
Long-term debt		¥ 3,094	

12. STOCK OPTIONS

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 adopted PITF No. 36 prospectively as of April 1, 2018, and continued to account for the transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions that occurred prior to the application of PITF No. 36 in accordance with the accounting policy previously applied. A summary of these transactions that occurred prior to the adoption of PITF No. 36 is as follows:

The stock options outstanding as of March 31, 2019, 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	2,421,000 shares	2013.12.18	¥1,891 ($17)	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	2016.7.5	¥3,017 ($27)	From May 1, 2019 To March 31, 2022

The stock option activity is as follows:

	2013 Stock Option (Shares)	2016 Stock Option (Shares)
Year Ended March 31, 2019		
Non-vested		
March 31, 2018—Outstanding		2,013,500
Granted		
Canceled		
Vested		(2,013,500)
March 31, 2019—Outstanding		
Vested		
March 31, 2018—Outstanding	39,500	
Vested		2,013,500
Exercised	(39,500)	
Canceled		
March 31, 2019—Outstanding		2,013,500
Exercise price	¥1,891	¥3,017
Average stock price at exercise	¥3,628	

13. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2019	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS – Net income available to common shareholders	¥237,439	664,558	¥357.29	$3.22
Effect of dilutive securities:				
Stock acquisition rights		373		
Diluted EPS – Net income for computation	¥237,439	664,931	¥357.09	$3.22
Year Ended March 31, 2018				
Basic EPS – Net income available to common shareholders	¥236,357	664,164	¥355.87	
Effect of dilutive securities:				
Stock acquisition rights		26		
Diluted EPS – Net income for computation	¥236,357	664,190	¥355.86	

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 that are held by the Trust (742 thousand shares and 2,005 thousand shares in 2019 and 2018, respectively) is reflected as treasury stock.

14. SEGMENT INFORMATION

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

1. Description of reportable segments

The Company's reportable segments are those for which separate financial information is available and regular evaluation by the parent company's management is being performed in order to decide how resources are allocated among the Company. Therefore, the Company's reportable segments 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										
	2019										
	Reportable Segment										
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business and Corporate Facilities	Total	Other	Total	Reconciliations	Consolidated
Sales:											
Sales to external customers	¥ 381,135	¥ 1,059,600	¥ 279,950	¥ 110,334	¥ 684,286	¥ 1,015,641	¥ 3,530,946	¥ 612,559	¥ 4,143,505		¥ 4,143,505
Intersegment sales or transfers	2,756	1,790	582	4,222	9,668	6,753	25,771	103,616	129,387	¥ (129,387)	
Total	¥ 383,891	¥ 1,061,390	¥ 280,532	¥ 114,556	¥ 693,954	¥ 1,022,394	¥ 3,556,717	¥ 716,175	¥ 4,272,892	¥ (129,387)	¥ 4,143,505
Segment profit	¥ 19,920	¥102,259	¥ 13,502	¥15,943	¥ 137,707	¥ 98,998	¥ 388,329	¥ 32,505	¥ 420,834	¥ (48,638)	¥ 372,196
Segment assets	204,574	289,761	406,457	19,974	700,417	1,404,152	3,025,335	995,057	4,020,392	313,645	4,334,037
Other:											
Depreciation	3,528	8,801	1,948	102	21,032	13,958	49,369	20,395	69,764	1,257	71,021
Increase in property, plant and equipment and other assets	4,353	31,987	5,427	63	79,482	106,274	227,586	66,474	294,060	(908)	293,152

	Millions of Yen										
	2018										
	Reportable Segment										
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business and 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	881,237	3,674,336	360,723	4,035,059
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

	Thousands of U.S. Dollars										
	2019										
	Reportable Segment										
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business and Corporate Facilities	Total	Other	Total	Reconciliations	Consolidated
Sales:											
Sales to external customers	$ 3,433,648	$ 9,545,946	$ 2,522,072	$ 994,000	$ 6,164,739	$ 9,149,919	$ 31,810,324	$ 5,518,549	$ 37,328,873		$ 37,328,873
Intersegment sales or transfers	24,829	16,126	5,243	38,036	87,099	60,838	232,171	933,477	1,165,648	$ (1,165,648)	
Total	$ 3,458,477	$ 9,562,072	$ 2,527,315	$ 1,032,036	$ 6,251,838	$ 9,210,757	$ 32,042,495	$ 6,452,026	$ 38,494,521	$ (1,165,648)	$ 37,328,873
Segment profit	$ 179,459	$ 921,252	$ 121,640	$143,631	$ 1,240,604	$ 891,874	$ 3,498,460	$ 292,837	$ 3,791,297	$ (438,180)	$ 3,353,117
Segment assets	1,843,009	2,610,459	3,661,775	179,946	6,310,063	12,650,018	27,255,270	8,964,478	36,219,748	2,825,630	39,045,378
Other:											
Depreciation	31,784	79,288	17,550	919	189,477	125,748	444,766	183,739	628,505	11,324	639,829
Increase in property, plant and equipment and other assets	39,216	288,171	48,892	568	716,054	957,423	2,050,324	598,865	2,649,189	(8,180)	2,641,009

Notes:

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

2) Reconciliations to segment profit of ¥48,638 million ($438,180 thousand) and ¥33,771 million include intersegment eliminations of ¥5,904 million ($53,189 thousand) and ¥890 million, the amortization of goodwill of ¥712 million ($6,414 thousand) and ¥716 million, and the corporate expenses not allocated to each business segment of ¥43,446 million ($391,405 thousand) and ¥33,597 million for the years ended March 31, 2019 and 2018, 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 ¥313,645 million ($2,825,630 thousand) and ¥360,723 million include intersegment eliminations of ¥72,359 million ($651,883 thousand) and ¥67,142 million, and the corporate assets of ¥386,004 million ($3,477,513 thousand) and ¥427,865 million for the years ended March 31, 2019 and 2018, 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 ¥1,257 million ($11,324 thousand) and ¥1,190 million include intersegment eliminations of ¥560 million ($5,045 thousand) and ¥497 million, and the depreciation attributable to corporate assets of ¥1,817 million ($16,369 thousand) and ¥1,687 million for the years ended March 31, 2019 and 2018, respectively.

   Reconciliations to increase in property, plant and equipment and other assets of ¥908 million ($8,180 thousand) and ¥199 million include intersegment eliminations of ¥2,845 million ($25,630 thousand) and ¥1,479 million, and the headquarters' capital investments in properties and equipment of ¥1,937 million ($17,450 thousand) and ¥1,280 million for the years ended March 31, 2019 and 2018, respectively.

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

4) The "Partial Amendments to Accounting Standards for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) have been applied with effect from the beginning of the reporting fiscal year, and these same accounting standards have been applied retroactively to assets by business segment for the previous fiscal year. The figures shown herein reflect the application of these accounting standards.

Impairment losses of assets

	Millions of Yen								
	2019								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business and Corporate Facilities	Other	Elimination/ Corporate	Consolidated
Impairment losses of assets	¥16	¥592	¥4	¥18	¥3,443	¥19	¥2,237		¥6,329

	Millions of Yen								
	2018								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business and Corporate Facilities	Other	Elimination/ Corporate	Consolidated
Impairment losses of assets	¥502	¥1,440	¥154		¥2,914	¥339	¥6,037	¥415	¥11,801

	Thousands of U.S. Dollars								
	2019								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business and Corporate Facilities	Other	Elimination/ Corporate	Consolidated
Impairment losses of assets	$144	$5,333	$36	$162	$31,019	$171	$20,153		$57,018

Amortization of goodwill

	Millions of Yen								
	2019								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business and Corporate Facilities	Other	Elimination/ Corporate	Consolidated
Amortization of goodwill		¥ 87	¥ 1,013		¥ 472	¥ 2,549	¥ 3,030		¥ 7,151
Goodwill at March 31, 2019		1,031	12,246		3,122	30,204	26,296		72,899

	Millions of Yen								
	2018								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business and 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

	Thousands of U.S. Dollars								
	2019								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business and Corporate Facilities	Other	Elimination/ Corporate	Consolidated
Amortization of goodwill		$ 784	$ 9,126		$ 4,252	$ 22,964	$ 27,297		$ 64,423
Goodwill at March 31, 2019		9,288	110,324		28,126	272,109	236,901		656,748

15. OTHER INCOME (EXPENSES): OTHER – NET

"Other income (expenses): Other – net" for the years ended March 31, 2019 and 2018 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Reversal of allowance for doubtful accounts	¥ 18		$ 162
Real estate acquisition tax and other taxes	(1,096)	¥(1,942)	(9,874)
Provision of allowance for doubtful accounts		(990)	
Equity in losses of associated companies	(13,081)	(63)	(117,847)
Gain on step acquisitions		139	
Gain (loss) on sales of investment in unconsolidated subsidiaries and associated companies	(5)	125	(45)
Other – net	1,690	(1,235)	15,226
Total	¥(12,474)	¥(3,966)	$(112,378)

16. INCOME TAXES

The parent company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 31% for the years ended March 31, 2019 and 2018.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Deferred tax assets:			
Write-down of real estate for sale	¥ 3,673	¥ 5,101	$ 33,090
Accrued bonuses	16,858	15,765	151,874
Accrued enterprise tax	4,466	3,970	40,234
Liability for employees' retirement benefits	81,488	80,082	734,126
Unrealized gains on sales of property, plant and equipment	12,521	11,412	112,802
Excess of depreciation of property, plant and equipment	25,225	22,572	227,252
Tax loss carryforwards	18,403	20,219	165,793
Other	82,288	75,823	741,333
Total of tax loss carryforwards and temporary differences	244,922	234,944	2,206,504
Less valuation allowance	(50,422)	(54,143)	(454,252)
Deferred tax assets	194,500	180,801	1,752,252
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	(2,419)	(2,997)	(21,793)
Net unrealized gain on available-for-sale securities	(21,712)	(31,785)	(195,604)
Other	(14,060)	(12,432)	(126,666)
Deferred tax liabilities	(38,191)	(47,214)	(344,063)
Net deferred tax assets	¥ 156,309	¥ 133,587	$ 1,408,189

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates for the years ended March 31, 2019 and 2018 is immaterial and not disclosed.

17. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥9,682 million ($87,225 thousand) and ¥8,786 million for the years ended March 31, 2019 and 2018, respectively.

18. SUPPLEMENTAL CASH FLOW INFORMATION

Year Ended March 31, 2019

The Company acquired Rawson Group Pty Ltd. The amounts of assets and liabilities of this company at the time of consolidation, cost of purchase of shares of subsidiaries and purchase of share of subsidiaries resulting in change in scope of consolidation were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2019	2019
Assets	¥ 28,136	$ 253,477
Liabilities	(14,170)	(127,658)
Goodwill	18,377	165,559
Minority interests	(370)	(3,333)
Cost of purchase of shares of subsidiaries	31,973	288,045
Cash and cash equivalents of consolidated subsidiary	(1,620)	(14,595)
Purchase of share of subsidiaries resulting in change in scope of consolidation	¥ 30,353	$ 273,450

Year Ended March 31, 2018

The Company acquired Stanley-Martin Communities, LLC. The amounts of 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
Assets	¥ 74,165
Liabilities	(46,303)
Goodwill	5,946
Minority interests	(5,462)
Cost of purchase of investments in capital of subsidiaries	28,346
Cash and cash equivalents of consolidated subsidiary	(1,843)
Purchase of investments in capital of subsidiaries resulting in change in scope of consolidation	¥ 26,503

19. LEASES

Finance Leases:

(Lessee)

The Company leases certain city hotels, commercial facilities, city hotel equipment, computer equipment and other assets.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2019 and 2018 were ¥21,475 million ($193,468 thousand) and ¥22,665 million, respectively.

Obligations under finance leases were as follows:

	Millions of Yen 2019	Thousands of U.S. Dollars 2019
Due within one year	¥ 4,719	$ 42,514
Due after one year	51,062	460,018
Total	¥55,781	$502,532

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		
	2019		
	Buildings and Structures	Machinery and Equipment	Total
Acquisition cost	¥192,651	¥168	¥192,819
Accumulated depreciation	136,876	126	137,002
Accumulated impairment loss	4,358		4,358
Net leased property	¥ 51,417	¥ 42	¥ 51,459

	Millions of Yen		
	2018		
	Buildings and Structures	Machinery and Equipment	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

	Thousands of U.S. Dollars		
	2019		
	Buildings and Structures	Machinery and Equipment	Total
Acquisition cost	$ 1,735,595	$ 1,513	$ 1,737,108
Accumulated depreciation	1,233,117	1,135	1,234,252
Accumulated impairment loss	39,261		39,261
Net leased property	$ 463,217	$ 378	$ 463,595

Obligations under finance leases as of March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due within one year	¥ 11,034	¥ 14,132	$ 99,405
Due after one year	58,388	69,717	526,018
Total	¥ 69,422	¥ 83,849	$ 625,423

The allowance for impairment loss on leased property of ¥2,057 million ($18,532 thousand) and ¥2,281 million as of March 31, 2019 and 2018, respectively, is not included in the obligations under finance leases.

Depreciation expense, interest expense and other information under finance leases for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Depreciation expense	¥ 9,377	¥ 10,498	$ 84,477
Interest expense	4,408	5,344	39,712
Total	¥ 13,785	¥ 15,842	$ 124,189
Lease payments	¥16,190	¥18,209	$145,856
Reversal of allowance for impairment loss on leased property	542	760	4,883
Impairment loss	317	307	2,856

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 investments in lease as of March 31, 2019 and 2018, were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Gross lease receivables	¥ 41,758	¥ 45,282	$ 376,198
Unguaranteed residual values	1,188	1,992	10,703
Unearned interest income	(15,425)	(17,716)	(138,964)
Investments in lease, current	¥ 27,521	¥ 29,558	$ 247,937

Maturities of lease receivables for finance leases that were deemed to transfer ownership of the leased property to the lessee as of March 31, 2019 are as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥ 6,201	$ 55,865
2021	4,785	43,108
2022	4,057	36,549
2023	3,113	28,045
2024	2,516	22,667
2025 and thereafter	21,086	189,964
Total	¥41,758	$376,198

Maturities of investments in lease for finance leases that were deemed not to transfer ownership of the leased property to the lessee as of March 31, 2019 are as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥1,385	$12,477
2021	544	4,901
2022	508	4,577
2023	487	4,387
2024	461	4,153
2025 and thereafter	1,896	17,081
Total	¥5,281	$47,576

Operating Leases:

Obligations and future rental income under non-cancellable operating leases as of March 31, 2019 and 2018 were as follows:

(Lessee)

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due within one year	¥ 52,067	¥ 53,353	$ 469,072
Due after one year	516,382	498,951	4,652,090
Total	¥568,449	¥552,304	$ 5,121,162

(Lessor)

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due within one year	¥ 7,566	¥ 7,412	$ 68,162
Due after one year	224,014	227,666	2,018,144
Total	¥231,580	¥235,078	$ 2,086,306

20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Company policy for financial instruments

The Company uses financial instruments, mainly loans from banks, bonds and commercial paper, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are 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.

With respect to floating-rate loans receivables, a subsidiary enters into bond futures 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 mainly 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		
	2019		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 276,298	¥ 276,298	
Short-term investments	3,561	3,561	
Receivables	390,923		
Allowance for doubtful receivables	(850)		
	390,073	390,071	¥ (2)
Marketable and investment securities:			
Held-to-maturity	4,510	4,628	118
Investments in unconsolidated subsidiaries and associated companies	12,990	12,990	
Available-for-sale	138,151	138,151	
Lease deposits	229,790		
Allowance for doubtful accounts	(200)		
	229,590	227,495	(2,095)
Total	¥ 1,055,173	¥ 1,053,194	¥(1,979)
Short-term bank loans	¥ 97,632	¥ 97,632	
Payables	647,835	647,835	
Income taxes payable	69,945	69,945	
Long-term debt:			
Bonds	287,000	288,152	¥ 1,152
Loans from banks	391,016	393,818	2,802
Lease deposits received	276,591	272,286	(4,305)
Total	¥ 1,770,019	¥ 1,769,668	¥ (351)

	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
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	

	Thousands of U.S. Dollars		
	2019		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 2,489,171	$ 2,489,171	
Short-term investments	32,081	32,081	
Receivables	3,521,828		
Allowance for doubtful receivables	(7,657)		
	3,514,171	3,514,153	$ (18)
Marketable and investment securities:			
Held-to-maturity	40,631	41,694	1,063
Investments in unconsolidated subsidiaries and associated companies	117,027	117,027	
Available-for-sale	1,244,603	1,244,603	
Lease deposits	2,070,180		
Allowance for doubtful accounts	(1,802)		
	2,068,378	2,049,504	(18,874)
Total	$ 9,506,062	$ 9,488,233	$ (17,829)
Short-term bank loans	$ 879,568	$ 879,568	
Payables	5,836,351	5,836,351	
Income taxes payable	630,135	630,135	
Long-term debt:			
Bonds	2,585,586	2,595,964	$ 10,378
Loans from banks	3,522,666	3,547,910	25,244
Lease deposits received	2,491,811	2,453,027	(38,784)
Total	$ 15,946,117	$ 15,942,955	$ (3,162)

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

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

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
	2019	2018	2019
Equity securities	¥ 74,793	¥84,463	$ 673,810
Preferred fund certificates	22,274	17,850	200,668
Bonds		8,000	
Investments in limited liability partnership and other	13,790	11,534	124,234

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

	Millions of Yen			
	2019			
	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	¥276,298			
Short-term investments	3,561			
Receivables	369,848	¥ 17,489	¥ 3,070	¥ 516
Marketable and investment securities:				
Held-to-maturity	900	2,985	703	10
Investments in unconsolidated subsidiaries and associated companies		12,990		
Available-for-sale securities with contractual maturities		192		120
Lease deposits	21,328	71,636	65,817	75,206
Total	¥671,935	¥105,292	¥69,590	¥75,852

	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

	Thousands of U.S. Dollars			
	2019			
	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	$ 2,489,171			
Short-term investments	32,081			
Receivables	3,331,963	$ 157,558	$ 27,658	$ 4,649
Marketable and investment securities:				
Held-to-maturity	8,108	26,892	6,333	90
Investments in unconsolidated subsidiaries and associated companies		117,027		
Available-for-sale securities with contractual maturities		1,730		1,081
Lease deposits	192,144	645,369	592,946	677,532
Total	$ 6,053,467	$ 948,576	$ 626,937	$ 683,352

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

21. DERIVATIVES

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

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

Derivatives are subject to market risk and credit risk. Because the counterparties to those derivatives are mainly 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, 2019 and 2018 were as follows:

	Millions of Yen								Thousands of U.S. Dollars			
	2019				2018				2019			
	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	$	$	$	$

Derivative transactions to which hedge accounting was applied as of March 31, 2019 and 2018 were as follows:

		Millions of Yen						Thousands of U.S. Dollars		
		2019			2018			2019		
	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 –	¥36,345	¥32,721	¥	¥37,010	¥35,629		$327,432	$294,784	$
floating rate payment, fixed rate receipt	Loans from banks	6,960	6,960		6,960	6,960		62,703	62,703	
Total		¥43,305	¥39,681	¥	¥43,970	¥42,589		$390,135	$357,487	$
Currency swaps – payment in yen, receipt in U.S. dollars	Long-term debt – Loans from banks	¥	¥	¥	¥10,000			$	$	$
Interest rate and currency swaps:										
fixed rate payment in yen, floating rate receipt in U.S. dollars	Long-term debt – Loans from banks	¥26,128	¥26,128	¥	¥36,128	¥26,128		$235,387	$235,387	$
fixed rate payment in Malaysian ringgit, floating rate receipt in U.S. dollars	Short-term bank loans				340		¥(12)			
Total		¥26,128	¥26,128	¥	¥36,468	¥26,128	¥(12)	$235,387	$235,387	$
Foreign currency forward contracts:										
Buying U.S. dollars	Scheduled transaction denominated in	¥	¥	¥	¥ 105		¥ (3)	$	$	$
Buying EURO	foreign currencies				1		(0)			
Total		¥	¥	¥	¥ 106		¥ (3)	$	$	$

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 and short-term bank loans denominated in a foreign currency are translated at the contracted rates. In addition, the fair values of such interest rate swaps, currency swaps and interest rate and currency swaps in Note 20 are included in those of the hedged items (i.e., long-term debt).

22. CONTINGENCIES LIABILITIES

At March 31, 2019, the Company had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes endorsed	¥ 317	$ 2,856
Trade notes discounted	168	1,514
Guarantees and similar items of bank loans:		
Customer's housing loans	17,572	158,306
Associated companies loans	1,032	9,297

23. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrealized loss on available-for-sale securities:			
Loss arising during the year	¥(33,480)	¥ (6,007)	$(301,621)
Reclassification adjustments to loss	(1,499)	(13,196)	(13,504)
Amount before income tax effect	(34,979)	(19,203)	(315,125)
Income tax effect	10,686	5,774	96,270
Total	¥(24,293)	¥(13,429)	$(218,855)
Deferred gain (loss) on derivatives under hedge accounting:			
Gain (loss) arising during the year	¥ 24	¥ (48)	$ 216
Reclassification adjustments to profit	0	0	0
Amount before income tax effect	24	(48)	216
Income tax effect	(14)	21	(126)
Total	¥ 10	¥ (27)	$ 90
Foreign currency translation adjustments:			
Adjustments arising during the year	¥(10,822)	¥ 1,655	$ (97,496)
Reclassification adjustments to profit	279	202	2,514
Total	¥(10,543)	¥ 1,857	$ (94,982)
Share of other comprehensive income (loss) in associated companies:			
Income (loss) arising during the year	¥ (3,678)	¥ 1,341	$ (33,135)
Total	¥ (3,678)	¥ 1,341	$ (33,135)
Total other comprehensive loss	¥(38,504)	¥(10,258)	$(346,882)

24. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2019 will be approved at the parent company's shareholders' meeting held on June 25, 2019:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥64 ($0.58) per share	¥42,491	$382,802

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