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

Consolidated Financial Statements as of and for the Year Ended March 31, 2020, 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.:

Opinion

We have audited the consolidated financial statements of Daiwa House Industry Co., Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance and its consolidated 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 19, 2020

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

Consolidated Balance Sheet
March 31, 2020

ASSETS	Millions of Yen 2020	Millions of Yen 2019	Thousands of U.S. Dollars (Note 1) 2020
CURRENT ASSETS:			
Cash and cash equivalents (Notes 8 and 20)	¥ 276,068	¥ 276,298	$ 2,532,734
Marketable securities (Notes 4 and 20)	814	892	7,468
Current portion of advances to unconsolidated subsidiaries and associated companies	412	1,685	3,780
Lease receivables and investments in lease (Note 19)	35,021	31,835	321,294
Mortgage notes receivable held for sale (Note 8)	18,580	14,625	170,459
Short-term investments (Note 20)	5,367	3,561	49,239
Receivables (Notes 8 and 20):			
Trade notes	17,847	23,322	163,734
Trade accounts	415,206	367,463	3,809,229
Unconsolidated subsidiaries and associated companies		138	
Allowance for doubtful receivables	(9,016)	(8,665)	(82,716)
Inventories (Notes 5 and 8)	1,094,845	955,666	10,044,450
Prepaid expenses and other current assets (Note 8)	248,722	254,224	2,281,852
Total current assets	2,103,866	1,921,044	19,301,523
PROPERTY, PLANT AND EQUIPMENT (Note 7):			
Land (Notes 6 and 8)	857,588	811,206	7,867,780
Buildings and structures (Notes 6 and 8)	1,044,915	1,024,833	9,586,376
Machinery and equipment (Note 6)	155,030	151,313	1,422,294
Furniture and fixtures (Note 6)	69,917	64,462	641,440
Lease assets (Notes 6 and 19)	78,191	50,579	717,348
Construction in progress	134,362	89,731	1,232,679
Other tangible assets (Note 6)	10,240		93,945
Total	2,350,243	2,192,124	21,561,862
Accumulated depreciation	(628,525)	(583,575)	(5,766,284)
Net property, plant and equipment	1,721,718	1,608,549	15,795,578
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 20)	163,598	181,197	1,500,899
Investments in unconsolidated subsidiaries and associated companies (Note 20)	78,378	84,419	719,064
Advances to unconsolidated subsidiaries and associated companies	289	582	2,651
Long-term loans receivable	3,765	3,174	34,541
Lease deposits (Note 20)	241,030	229,790	2,211,284
Deferred tax assets (Note 16)	170,274	157,499	1,562,147
Goodwill (Note 6)	63,457	72,899	582,174
Other assets (Note 6)	83,330	77,554	764,497
Allowance for doubtful accounts	(2,316)	(2,670)	(21,248)
Total investments and other assets	801,805	804,444	7,356,009
TOTAL	¥ 4,627,389	¥ 4,334,037	$ 42,453,110

LIABILITIES AND EQUITY	Millions of Yen 2020	Millions of Yen 2019	Thousands of U.S. Dollars (Note 1) 2020
CURRENT LIABILITIES:			
Short-term bank loans (Notes 8 and 20)	¥ 110,520	¥ 97,632	$ 1,013,945
Commercial paper (Notes 8 and 20)	49,000		449,541
Current portion of long-term debt (Notes 8, 19 and 20)	136,753	140,161	1,254,615
Payables (Note 20):			
Trade notes	68,925	180,579	632,339
Trade accounts	289,959	347,324	2,660,174
Unconsolidated subsidiaries and associated companies	1,454	2,569	13,339
Other accounts	135,691	117,363	1,244,872
Deposits received from customers	130,634	165,187	1,198,477
Income taxes payable (Note 20)	58,980	69,945	541,101
Accrued bonuses	57,288	56,289	525,578
Provision for product warranties	7,485	8,003	68,670
Asset retirement obligations (Note 10)	2,160	1,985	19,817
Advances received	77,071	55,701	707,073
Accrued expenses and other current liabilities	171,334	159,112	1,571,872
Total current liabilities	1,297,254	1,401,850	11,901,413
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8, 19 and 20)	830,460	593,636	7,618,899
Liability for employees' retirement benefits (Note 9)	267,063	263,019	2,450,119
Deferred tax liabilities on land revaluation	20,037	20,042	183,826
Long-term deposits received from the Company's club members	1,621	2,367	14,872
Lease deposits received (Note 20)	284,323	276,591	2,608,468
Asset retirement obligations (Note 10)	49,881	45,333	457,624
Other long-term liabilities	103,361	87,482	948,265
Total long-term liabilities	1,556,746	1,288,470	14,282,073
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 19, 21 and 22)			
EQUITY (Notes 11, 12 and 24):			
Common stock – authorized, 1,900,000,000 shares; issued, 666,238,205 shares in 2020 and 2019	161,699	161,699	1,483,477
Capital surplus	307,155	310,880	2,817,936
Stock acquisition rights	101	115	927
Retained earnings	1,217,407	1,066,706	11,168,872
Treasury stock – at cost, 2,218,771 shares in 2020 and 2,436,961 shares in 2019	(7,589)	(8,316)	(69,624)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	36,997	51,016	339,422
Deferred loss on derivatives under hedge accounting	(11)	(21)	(101)
Revaluation reserve for land	10,251	6,454	94,046
Foreign currency translation adjustments	1,087	7,574	9,972
Total	1,727,097	1,596,107	15,844,927
Non-controlling interests	46,292	47,610	424,697
Total equity	1,773,389	1,643,717	16,269,624
TOTAL	¥ 4,627,389	¥ 4,334,037	$ 42,453,110

See notes to consolidated financial statements.

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

Consolidated Statement of Income
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
NET SALES	¥ 4,380,210	¥ 4,143,505	$ 40,185,413
COST OF SALES (Note 9)	3,510,003	3,300,738	32,201,863
Gross profit	870,207	842,767	7,983,550
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 9 and 17)	489,092	470,571	4,487,082
Operating income	381,115	372,196	3,496,468
OTHER INCOME (EXPENSES):			
Interest income and dividends	7,588	8,444	69,615
Interest expense	(8,982)	(7,504)	(82,404)
Write-down of investment securities (Note 4)	(1,630)	(3,784)	(14,954)
Loss on sales and disposal of property, plant and equipment	(1,288)	(137)	(11,817)
Gain on sales of investment securities (Note 4)	407	2,617	3,734
Impairment loss (Note 6)	(17,063)	(6,329)	(156,541)
Loss on disaster		(798)	
Other – net (Note 15)	(10,463)	(12,474)	(95,991)
Other expenses – net	(31,431)	(19,965)	(288,358)
INCOME BEFORE INCOME TAXES	349,684	352,231	3,208,110
INCOME TAXES (Note 16):			
Current	119,517	121,676	1,096,486
Deferred	(7,189)	(11,477)	(65,954)
Total income taxes	112,328	110,199	1,030,532
NET INCOME	237,356	242,032	2,177,578
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(3,753)	(4,593)	(34,431)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 233,603	¥ 237,439	$ 2,143,147

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 13):			
Basic net income	¥351.84	¥357.29	$3.23
Diluted net income	351.76	357.09	3.23
Cash dividends applicable to the year	115.00	114.00	1.06

See notes to consolidated financial statements.

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

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
NET INCOME	¥ 237,356	¥ 242,032	$ 2,177,578
OTHER COMPREHENSIVE INCOME (LOSS) (Note 23):			
Unrealized loss on available-for-sale securities	(14,039)	(24,293)	(128,798)
Deferred gain on derivatives under hedge accounting	10	10	92
Land revaluation difference	0		0
Foreign currency translation adjustments	(5,220)	(10,543)	(47,891)
Share of other comprehensive loss in associated companies	(1,166)	(3,678)	(10,697)
Total other comprehensive loss	(20,415)	(38,504)	(187,294)
COMPREHENSIVE INCOME	¥ 216,941	¥ 203,528	$ 1,990,284
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥213,107	¥200,187	$1,955,110
Non-controlling interests	3,834	3,341	35,174

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, 2020

	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, 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, APRIL 1, 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
Net income attributable to owners of the parent					233,603						233,603		233,603
Cash dividends, ¥119.0 per share					(79,017)						(79,017)		(79,017)
Change in ownership interest of parent due to transactions with non-controlling interests			(3,725)								(3,725)		(3,725)
Reversal of revaluation reserve for land					(3,797)						(3,797)		(3,797)
Purchase of treasury stock	(74)					(245)					(245)		(245)
Disposal of treasury stock	292				(88)	972					884		884
Net change in the year				(14)			(14,019)	10	3,797	(6,487)	(16,713)	(1,318)	(18,031)
BALANCE, MARCH 31, 2020	664,019	¥161,699	¥307,155	¥101	¥1,217,407	¥(7,589)	¥ 36,997	¥(11)	¥10,251	¥ 1,087	¥1,727,097	¥46,292	¥1,773,389

(Continued)

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

Consolidated Statement of Changes in Equity
Year Ended March 31, 2020

	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, 2019	$ 1,483,477	$ 2,852,110	$ 1,055	$ 9,786,294	$ (76,294)	$ 468,037	$ (193)	$ 59,211	$ 69,486	$ 14,643,183	$ 436,789	$ 15,079,972
Net income attributable to owners of the parent				2,143,147						2,143,147		2,143,147
Cash dividends, $1.09 per share				(724,927)						(724,927)		(724,927)
Change in ownership interest of parent due to transactions with non-controlling interests		(34,174)								(34,174)		(34,174)
Reversal of revaluation reserve for land				(34,835)						(34,835)		(34,835)
Purchase of treasury stock					(2,247)					(2,247)		(2,247)
Disposal of treasury stock				(807)	8,917					8,110		8,110
Net change in the year			(128)			(128,615)	92	34,835	(59,514)	(153,330)	(12,092)	(165,422)
BALANCE, MARCH 31, 2020	$ 1,483,477	$ 2,817,936	$ 927	$ 11,168,872	$ (69,624)	$ 339,422	$ (101)	$ 94,046	$ 9,972	$ 15,844,927	$ 424,697	$ 16,269,624

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, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
OPERATING ACTIVITIES:			
Income before income taxes	¥ 349,684	¥ 352,231	$ 3,208,110
Adjustments for:			
Income taxes – paid	(130,642)	(114,310)	(1,198,550)
Depreciation	75,208	71,021	689,982
Write-down of investment securities	1,630	3,784	14,954
Loss on sales and disposal of property, plant and equipment	1,288	137	11,817
Impairment loss	17,063	6,329	156,541
Equity in losses of associated companies	6,972	13,081	63,963
Changes in certain assets and liabilities, net of consolidation:			
Increase in receivables	(42,235)	(28,075)	(387,477)
Increase in inventories	(37,158)	(71,573)	(340,899)
Increase (decrease) in payables	(188,431)	49,758	(1,728,725)
Increase (decrease) in deposits received from customers	(34,428)	37,062	(315,853)
Increase (decrease) in advances received	21,389	(5,621)	196,229
Increase in liability for employees' retirement benefits	4,044	4,438	37,101
Other – net	105,268	37,338	965,761
Total adjustments	(200,032)	3,369	(1,835,156)
Net cash provided by operating activities	149,652	355,600	1,372,954
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(291,468)	(255,940)	(2,674,018)
Purchases of investment securities	(13,510)	(5,246)	(123,945)
Increase in investments in and advances to unconsolidated subsidiaries and associated companies	(8,801)	(18,328)	(80,743)
Decrease in investments in and advances to unconsolidated subsidiaries and associated companies	5,553	3,118	50,945
Proceeds from sales and redemption of investment securities	2,350	10,405	21,560
Proceeds from sales of property, plant and equipment	12,060	9,496	110,642
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 18)	(4,732)	(39,369)	(43,413)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation		268	
Purchase of investments in capital of subsidiaries resulting in change in scope of consolidation	(563)	(964)	(5,165)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation		1,744	
Payments for acquisition of business	(349)	(8,000)	(3,202)
Payments of leasehold and guarantee deposits	(9,619)	(6,049)	(88,248)
Other – net	(8,194)	(5,125)	(75,174)
Net cash used in investing activities	¥ (317,273)	¥ (313,990)	$ (2,910,761)

(Continued)

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

Consolidated Statement of Cash Flows
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
FINANCING ACTIVITIES:			
Net increase in short-term bank loans	¥ 13,657	¥ 5,070	$ 125,294
Net increase in commercial paper	49,000		449,541
Proceeds from long-term debt – Loans from banks	275,989	85,919	2,532,009
Repayments of long-term debt – Loans from banks	(129,618)	(80,583)	(1,189,156)
Proceeds from issuance of bonds	150,000		1,376,147
Redemption of bonds	(95,000)	(20,101)	(871,560)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(964)	(1,469)	(8,844)
Payments for investments in capital that do not result in change in scope of consolidation	(9,096)		(83,450)
Repayments of finance lease obligations	(6,493)	(5,552)	(59,569)
Proceeds from share issuance to non-controlling shareholders	3,767	7,338	34,560
Repayments to non-controlling shareholders	(1,687)	(1,068)	(15,477)
Purchase of treasury stock	(245)	(7,982)	(2,247)
Proceeds from disposal of treasury stock	870	4,241	7,982
Dividends paid to shareholders	(79,017)	(74,612)	(724,927)
Dividends paid to non-controlling interests	(2,343)	(2,040)	(21,495)
Proceeds from receivables sold to trust		2,900	
Other – net	308	959	2,825
Net cash provided by (used in) financing activities	169,128	(86,980)	1,551,633
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(1,737)	(4,463)	(15,936)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(230)	(49,833)	(2,110)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	276,298	326,131	2,534,844
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 276,068	¥ 276,298	$ 2,532,734

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 2019 consolidated financial statements to conform to the classifications used in 2020.

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 ¥109 to $1, the approximate rate of exchange at March 31, 2020. 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, 2020 include the accounts of the parent company and its 317 (340 in 2019) significant 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 40 (42 in 2019) associated companies are accounted for by the equity method.

Investments in the remaining 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, 2020, 31 subsidiaries were included in the consolidation as a result of new formation or acquisition and 54 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; (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; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

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; (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; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

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 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 ¥68 million ($624 thousand), ¥38 million ($349 thousand), ¥1 million ($9 thousand) and ¥13 million ($119 thousand), as of March 31, 2020, respectively. Investment securities deposited in accordance with the Act on Assurance of Performance of Specified Housing Defect Warranty were ¥3,643 million ($33,422 thousand) as of March 31, 2020. 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 ($550 thousand), as of March 31, 2020, respectively.

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 ($19,752 thousand) as of March 31, 2020.

h. ***Inventories*** – Real estate for sale, construction project in progress, real estate for sale in process, and land 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 17 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 ¥13 million ($119 thousand) and other current liabilities of ¥1 million ($9 thousand) were ¥15 million ($138 thousand) as of March 31, 2020, respectively.

j. ***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, 2020 and 2019, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥4,938 million ($45,303 thousand) and ¥5,704 million, respectively.

k. ***Long-Lived Assets*** – The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate 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.

l. ***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.

m. ***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.

n. ***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.

o. ***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.

p. ***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.

q. ***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.

r. ***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.

s. ***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.

t. ***Foreign Currency Transactions*** – All short-term 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.

u. ***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.

v. ***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.

w. ***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, 2020 and 2019 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.

x. 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.

Revised Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections

On March 31, 2020, the ASBJ issued ASBJ Statement No. 24, "Revised Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections."

The accounting standard requires to disclose the summary of principles and procedures of the accounting treatment adapted when the related accounting standards are not clear.

The Company expects to apply the accounting standard for annual periods beginning on April 1, 2020.

y. Additional Information

Due to the declaration of a state of emergency in response to the COVID-19 epidemic in April 2020, the Company has closed business facilities and housing exhibition halls nationwide and also partially closed commercial facilities, hotels, sports clubs and other facilities of the Company. As a result, the receipt of orders, production and sales activities are being impacted.

The Company estimates its business forecasts based on the assumption that the impact of the expanding COVID-19 epidemic on operations and businesses will have mostly tapered off by the end of September 2020, but the Company estimates that there will remain an impact in the hotel business even after the epidemic will have been abated.

The Company considered the accounting estimates related to the impairment of fixed assets and the recoverability of deferred tax assets based on the available information including the above assumption at the time of preparing its consolidated financial statements.

3. ACCOUNTING CHANGE

The Company has applied "International Financial Reporting Standard 16, "Leases" ("IFRS 16")" to its consolidated foreign subsidiaries whose financial statements are prepared in accordance with IFRS at the beginning of this fiscal year.

Under IFRS 16, a lessee shall recognize a right-of-use asset and a lease liability. The Company has applied the transition requirements of IFRS 16.

The effects of applying IFRS 16 were immaterial.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2020 and 2019 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Current:			
Government and corporate bonds	¥814	¥892	$7,468
Non-current:			
Equity securities	¥ 129,972	¥ 148,861	$ 1,192,404
Government and corporate bonds	3,141	3,930	28,816
Investments in limited liability partnership	16,371	13,790	150,193
Preferred fund certificates	14,049	14,578	128,890
Other	65	38	596
Total	¥ 163,598	¥ 181,197	$ 1,500,899

The costs and aggregate fair values of marketable and investment securities as of March 31, 2020 and 2019 were as follows:

	Millions of Yen			
	2020			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥61,211	¥57,391	¥1,596	¥117,006
Debt securities	312			312
Other	63	2		65
Held-to-maturity	3,643	68		3,711

	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

	Thousands of U.S. Dollars			
	2020			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$561,569	$526,523	$14,642	$1,073,450
Debt securities	2,862			2,862
Other	578	18		596
Held-to-maturity	33,422	624		34,046

Available-for-sale securities whose fair values cannot be reliably determined as of March 31, 2020 and 2019 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Available-for-sale:			
Equity securities	¥12,966	¥11,060	$118,954
Preferred fund certificates	14,049	14,578	128,890
Investments in limited liability partnership and other	16,371	13,790	150,193
Total	¥43,386	¥39,428	$398,037

The information for available-for-sale securities which were sold during the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		
March 31, 2020	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥1,067	¥411	¥4

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

	Thousands of U.S. Dollars		
March 31, 2020	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$9,789	$3,771	$37

The impairment losses on available-for-sale equity securities for the years ended March 31, 2020 and 2019 were ¥1,630 million ($14,954 thousand) and ¥3,784 million, stated as write-down of investment securities in other income (expenses), respectively.

5. INVENTORIES

Inventories at March 31, 2020 and 2019 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Real estate for sale	¥ 197,929	¥ 128,213	$ 1,815,862
Construction projects in progress	47,862	79,305	439,101
Real estate for sale in process	118,211	101,708	1,084,505
Land held:			
For resale	597,468	520,078	5,481,358
Under development	101,378	99,897	930,073
Undeveloped	4,444	967	40,771
Merchandise, construction materials and others	27,553	25,498	252,780
Total	¥ 1,094,845	¥ 955,666	$ 10,044,450

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.

6. LONG-LIVED ASSETS

The Company recognized impairment losses of the following groups of assets for the years ended March 31, 2020 and 2019:

2020

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, other tangible assets and other assets	Kyoto Prefecture and others	¥ 3,763	$ 34,523
Home center	Buildings and structures, furniture and fixtures and other assets	Hyogo Prefecture and others	375	3,440
Facilities of health & leisure	Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets	Hokkaido Prefecture and others	2,474	22,697
Offices, factories and others	Buildings and structures, furniture and fixtures and lease assets	Akita Prefecture and others	409	3,752
Idle assets	Buildings and structures, furniture and fixtures, land and other assets	Hiroshima Prefecture and others	43	395
Others	Buildings and structures, furniture and fixtures, goodwill and other assets	Australia and others	9,999	91,734
Total			¥ 17,063	$ 156,541

2019

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	¥3,440
Home center	Buildings and structures, machinery and equipment and furniture and fixtures	Saitama Prefecture and others	3
Facilities of health & leisure	Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets	Tokyo Prefecture and others	735
Offices, factories and others	Buildings and structures, furniture and fixtures and land	Kyoto Prefecture and others	122
Idle assets	Land	Tochigi Prefecture	36
Others	Buildings and structures, furniture and fixtures, lease assets and goodwill	Tokyo Prefecture and others	1,993
Total			¥6,329

The Company classified 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 ¥28,600 million ($262,385 thousand), ¥281 million ($2,578 thousand) and ¥3,305 million ($30,321 thousand), respectively, for the year ended March 31, 2020. The net of rental income and operating expenses, gain on sales and disposal, and impairment loss for those rental properties were ¥28,414 million, ¥780 million and ¥2,773 million, respectively, for the year ended March 31, 2019.

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, 2019	Increase/Decrease	March 31, 2020	March 31, 2020
¥1,056,044	¥70,109	¥1,126,153	¥1,207,776

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

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
April 1, 2019	Increase/Decrease	March 31, 2020	March 31, 2020
$9,688,477	$643,202	$10,331,679	$11,080,514

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, 2020 primarily represents the acquisition of certain properties of ¥271,390 million ($2,489,817 thousand) and decrease primarily represents depreciation of ¥29,215 million ($268,028 thousand) and the transfer to inventories of ¥174,380 million ($1,599,817 thousand).

3) Increase during the fiscal year ended March 31, 2019 primarily represents the acquisition of certain properties of ¥216,248 million and decrease primarily represents depreciation of ¥27,200 million and the transfer to inventories of ¥92,729 million.

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

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

The annual interest rates for short-term bank loans ranged from 0.07% to 4.19% and 0.12% to 2.96% at March 31, 2020 and 2019, respectively. The collateralized short-term bank loans were ¥19,088 million ($175,119 thousand) at March 31, 2020. The annual interest rate for commercial paper was 0.00% at March 31, 2020.

Long-term debt as of March 31, 2020 and 2019 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Bonds, 0.00% to 0.80% (0.00% to 0.77% in 2019), due on various dates through 2059:			
Unsecured	¥ 342,000	¥ 287,000	$ 3,137,615
Loans from banks, 0.00% to 4.75% (0.00% to 4.90% in 2019), due on various dates through 2057:			
Collateralized	82,480	62,847	756,697
Unsecured	456,879	328,169	4,191,551
Obligations under finance leases	85,854	55,781	787,651
Total	967,213	733,797	8,873,514
Less current portion	136,753	140,161	1,254,615
Long-term debt – net of current portion	¥ 830,460	¥ 593,636	$ 7,618,899

Annual maturities of long-term debt, excluding finance leases (see Note 19) as of March 31, 2020 were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2021	¥ 130,669	$ 1,198,799
2022	89,431	820,468
2023	85,678	786,037
2024	116,239	1,066,413
2025	64,197	588,963
2026 and thereafter	395,145	3,625,183
Total	¥ 881,359	$ 8,085,863

The carrying amounts of assets pledged as collateral for short-term bank loans and long-term debt, excluding finance leases (see Note 19) as of March 31, 2020 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥ 1,416	$ 12,991
Receivables	13,232	121,394
Mortgage notes receivable held for sale	17,909	164,303
Real estate for sale	62,339	571,917
Real estate for sale in process	40,691	373,312
Other current assets	8,062	73,963
Land	5,133	47,092
Buildings and structures	3,158	28,973
Total	¥ 151,940	$ 1,393,945

Stocks of consolidated subsidiaries used as collateral amounted to ¥301 million ($2,761 thousand) as of March 31, 2020, 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, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year	¥ 613,569	¥ 590,779	$ 5,629,073
Service cost	28,169	28,104	258,431
Interest cost	4,968	4,788	45,578
Adjustments for business restructurings		(8)	
Actuarial gains (losses)	(362)	3,373	(3,321)
Benefits paid	(14,560)	(13,467)	(133,578)
Balance at end of year	¥ 631,784	¥ 613,569	$ 5,796,183

(2) The changes in plan assets for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year	¥ 350,550	¥ 332,198	$ 3,216,064
Actuarial gains	2,507	6,390	23,000
Contributions from the employer	20,334	20,058	186,550
Benefits paid	(8,670)	(8,096)	(79,550)
Balance at end of year	¥ 364,721	¥ 350,550	$ 3,346,064

(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, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Funded defined benefit obligation	¥ 530,066	¥ 514,712	$ 4,862,991
Plan assets	(364,721)	(350,550)	(3,346,064)
	165,345	164,162	1,516,927
Unfunded defined benefit obligation	101,718	98,857	933,192
Net liability for defined benefit obligation	¥ 267,063	¥ 263,019	$ 2,450,119

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Liability for retirement benefits	¥ 267,063	¥ 263,019	$ 2,450,119
Net liability for defined benefit obligation	¥ 267,063	¥ 263,019	$ 2,450,119

(4) The components of net periodic benefit costs for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Service cost	¥28,169	¥28,104	$258,431
Interest cost	4,968	4,788	45,578
Amortization of actuarial gain for employees' retirement benefits	(2,869)	(3,017)	(26,321)
Net periodic benefit costs	¥30,268	¥29,875	$277,688

(5) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2020 and 2019, consisted of the following:

	2020	2019
Domestic debt instruments	1%	1%
Overseas debt instruments	6	7
Domestic equity instruments	9	10
Overseas equity instruments	6	7
Cash and cash equivalents	15	14
Private equity fund	19	17
Hedge fund	18	18
General accounts	9	10
Others	17	16
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, 2020 and 2019, were set forth as follows:

	2020	2019
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 ¥2,869 million ($26,321 thousand) and ¥3,017 million for the years ended March 31, 2020 and 2019, respectively.

(8) Defined contribution plans

Required contributions to defined contribution plans of the parent company and its certain subsidiaries were ¥6,589 million ($60,450 thousand) and ¥6,175 million for the years ended March 31, 2020 and 2019, respectively.

10. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance at beginning of year	¥47,318	¥43,120	$434,110
Additional provisions associated with the acquisition of property, plant and equipment	4,817	4,317	44,193
Reconciliation associated with passage of time	682	695	6,257
Reduction associated with settlement of asset retirement obligations	(776)	(814)	(7,119)
Balance at end of year	¥52,041	¥47,318	$477,441

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. Additionally, 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 interim 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)

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 Medium-Term Management Plan and sustained corporate value improvements.

(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).

(2) The trust held the treasury stock, which was included in the consolidated balance sheet of the Company as of March 31, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Treasury stock	¥ 402	¥ 316	$3,688
(The number of thousands of shares as of the fiscal year ended)	(131)	(113)	
(The average number of thousands of shares during the fiscal year)	(95)	(742)	

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, 2020, were as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2016 Stock Option	16 directors 41 corporate officers 418 employees 112 subsidiary directors	2,013,500 shares	2016.7.5	¥3,017	From May 1, 2019 To March 31, 2022

The stock option activity is as follows:

	2016 Stock Option
	(Shares)
Year Ended March 31, 2020	
Non-vested	
March 31, 2019—Outstanding	
Granted	
Canceled	
Vested	
March 31, 2020—Outstanding	
Vested	
March 31, 2019—Outstanding	2,013,500
Vested	
Exercised	(239,900)
Canceled	
March 31, 2020—Outstanding	1,773,600
Exercise price	¥3,017 ($28)
Average stock price at exercise	¥3,254 ($30)

13. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2020	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS – Net income available to common shareholders	¥ 233,603	663,949	¥ 351.84	$ 3.23
Effect of dilutive securities: Stock acquisition rights		158		
Diluted EPS – Net income for computation	¥ 233,603	664,107	¥ 351.76	$ 3.23
Year Ended March 31, 2019				
Basic EPS – Net income available to common shareholders	¥ 237,439	664,558	¥ 357.29	
Effect of dilutive securities: Stock acquisition rights		373		
Diluted EPS – Net income for computation	¥ 237,439	664,931	¥ 357.09	

As noted in Note 2.o, 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 (96 thousand shares and 742 thousand shares in 2020 and 2019, 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.

   (Changes in presentation of the reportable segment)

   Prior to April 1, 2019, the overseas business was included in "Other" of the reportable segment. Since this fiscal year ended March 31, 2020, the Company has changed the presentation of the reportable segment in accordance with "Daiwa House Group Sixth Medium-Term Management Plan" announced on May 13, 2019. The amount of overseas is reclassified to each reportable segment according to the nature of its business.

   The above reclassification has been reflected in the reportable segment for the year ended March 31, 2019 to conform to the classification used in the reportable segment for the year ended March 31, 2020.

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										
	2020										
	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	¥ 495,415	¥ 1,004,782	¥ 364,018	¥ 142,194	¥ 799,232	¥ 1,143,301	¥ 3,948,942	¥ 431,268	¥ 4,380,210		¥ 4,380,210
Intersegment sales or transfers	2,465	1,121	8,714	3,425	7,552	9,047	32,324	98,812	131,136	¥ (131,136)	
Total	¥ 497,880	¥ 1,005,903	¥ 372,732	¥ 145,619	¥ 806,784	¥ 1,152,348	¥ 3,981,266	¥ 530,080	¥ 4,511,346	¥ (131,136)	¥ 4,380,210
Segment profit	¥ 18,081	¥ 98,588	¥ 15,883	¥16,723	¥ 140,632	¥ 120,637	¥ 410,544	¥ 19,286	¥ 429,830	¥ (48,715)	¥ 381,115
Segment assets	378,686	329,310	607,998	31,762	922,885	1,582,231	3,852,872	645,439	4,498,311	129,078	4,627,389
Other:											
Depreciation	5,671	9,610	2,013	188	29,035	14,048	60,565	13,533	74,098	1,110	75,208
Increase in property, plant and equipment and other assets	5,836	30,585	15,469	642	113,441	173,766	339,739	34,122	373,861	(9)	373,852

	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	¥ 500,815	¥ 1,053,345	¥ 332,605	¥ 127,025	¥ 725,026	¥ 1,023,494	¥ 3,762,310	¥ 381,195	¥ 4,143,505		¥ 4,143,505
Intersegment sales or transfers	2,756	1,444	10,949	4,761	5,504	2,815	28,229	101,855	130,084	¥ (130,084)	
Total	¥ 503,571	¥ 1,054,789	¥ 343,554	¥ 131,786	¥ 730,530	¥ 1,026,309	¥ 3,790,539	¥ 483,050	¥ 4,273,589	¥ (130,084)	¥ 4,143,505
Segment profit	¥ 23,899	¥104,663	¥ 20,724	¥13,702	¥ 142,578	¥ 100,327	¥ 405,893	¥ 13,540	¥ 419,433	¥ (47,237)	¥ 372,196
Segment assets	375,884	328,545	583,516	27,498	790,958	1,423,032	3,529,433	561,718	4,091,151	242,886	4,334,037
Other:											
Depreciation	5,166	9,199	2,350	219	25,627	14,053	56,614	13,048	69,662	1,359	71,021
Increase in property, plant and equipment and other assets	5,049	46,330	10,743	341	82,227	108,196	252,886	40,957	293,843	(691)	293,152

	Thousands of U.S. Dollars										
	2020										
	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	$ 4,545,092	$ 9,218,183	$ 3,339,615	$ 1,304,532	$ 7,332,404	$ 10,489,000	$ 36,228,826	$ 3,956,587	$ 40,185,413		$ 40,185,413
Intersegment sales or transfers	22,615	10,284	79,945	31,422	69,284	83,000	296,550	906,532	1,203,082	$ (1,203,082)	
Total	$ 4,567,707	$ 9,228,467	$ 3,419,560	$ 1,335,954	$ 7,401,688	$ 10,572,000	$ 36,525,376	$ 4,863,119	$ 41,388,495	$ (1,203,082)	$ 40,185,413
Segment profit	$ 165,881	$ 904,476	$ 145,716	$153,422	$ 1,290,202	$ 1,106,761	$ 3,766,458	$ 176,936	$ 3,943,394	$ (446,926)	$ 3,496,468
Segment assets	3,474,183	3,021,193	5,577,963	291,394	8,466,835	14,515,881	35,347,449	5,921,459	41,268,908	1,184,202	42,453,110
Other:											
Depreciation	52,027	88,165	18,468	1,725	266,376	128,881	555,642	124,156	679,798	10,184	689,982
Increase in property, plant and equipment and other assets	53,541	280,596	141,918	5,890	1,040,743	1,594,184	3,116,872	313,046	3,429,918	(83)	3,429,835

Notes:

1) "Other" includes construction support, health and leisure and others.

2) Reconciliations to segment profit of ¥48,715 million ($446,926 thousand) and ¥47,237 million include intersegment eliminations of ¥658 million ($6,036 thousand) and ¥2,639 million, the amortization of goodwill of ¥700 million ($6,422 thousand) and ¥712 million, and the corporate expenses not allocated to each business segment of ¥48,757 million ($447,312 thousand) and ¥45,310 million for the years ended March 31, 2020 and 2019, 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 ¥129,078 million ($1,184,202 thousand) and ¥242,886 million include intersegment eliminations of ¥165,040 million ($1,514,128 thousand) and ¥143,118 million, and the corporate assets of ¥294,118 million ($2,698,330 thousand) and ¥386,004 million for the years ended March 31, 2020 and 2019, respectively. Corporate assets primarily 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 ¥1,110 million ($10,184 thousand) and ¥1,359 million include intersegment eliminations of ¥665 million ($6,100 thousand) and ¥457 million, and the depreciation attributable to corporate assets of ¥1,775 million ($16,284 thousand) and ¥1,816 million for the years ended March 31, 2020 and 2019, respectively.

   Reconciliations to increase in property, plant and equipment and other assets of ¥9 million ($83 thousand) and ¥691 million include intersegment eliminations of ¥3,546 million ($32,532 thousand) and ¥2,628 million, and the headquarters' capital investments in properties and equipment of ¥3,537 million ($32,449 thousand) and ¥1,937 million for the years ended March 31, 2020 and 2019, respectively.

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

Impairment losses of assets

	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business and Corporate Facilities	Other	Elimination/ Corporate	Consolidated
	Millions of Yen								
	2020								
Impairment losses of assets	¥9,921	¥3,128	¥157	¥10	¥2,381	¥279	¥1,187		¥17,063

	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business and Corporate Facilities	Other	Elimination/ Corporate	Consolidated
	Millions of Yen								
	2019								
Impairment losses of assets	¥1,377	¥592	¥4	¥18	¥3,444	¥19	¥875		¥6,329

	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business and Corporate Facilities	Other	Elimination/ Corporate	Consolidated
	Thousands of U.S. Dollars								
	2020								
Impairment losses of assets	$91,018	$28,697	$1,440	$92	$21,844	$2,560	$10,890		$156,541

Amortization of goodwill

	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business and Corporate Facilities	Other	Elimination/ Corporate	Consolidated
	Millions of Yen								
	2020								
Amortization of goodwill	¥1,095	¥ 543	¥ 1,052	¥ (8)	¥ 444	¥ 2,086	¥ 333		¥ 5,545
Goodwill at March 31, 2020	9,780	1,018	11,194	(62)	2,678	28,118	10,731		63,457

	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business and Corporate Facilities	Other	Elimination/ Corporate	Consolidated
	Millions of Yen								
	2019								
Amortization of goodwill	¥ 1,175	¥ 95	¥ 1,256	¥ (8)	¥ 485	¥ 2,537	¥1,611		¥ 7,151
Goodwill at March 31, 2019	21,009	1,101	12,246	(70)	3,122	30,204	5,287		72,899

	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business and Corporate Facilities	Other	Elimination/ Corporate	Consolidated
	Thousands of U.S. Dollars								
	2020								
Amortization of goodwill	$10,046	$4,982	$ 9,651	$ (73)	$ 4,073	$ 19,138	$ 3,055		$ 50,872
Goodwill at March 31, 2020	89,725	9,339	102,697	(569)	24,569	257,963	98,450		582,174

15. OTHER INCOME (EXPENSES): OTHER – NET

"Other income (expenses): Other – net" for the years ended March 31, 2020 and 2019 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Reversal of allowance for doubtful accounts	¥ 8	¥ 18	$ 73
Real estate acquisition tax and other taxes	(1,663)	(1,096)	(15,257)
Equity in losses of associated companies	(6,972)	(13,081)	(63,963)
Gain (loss) on sales of investment in unconsolidated subsidiaries and associated companies	43	(5)	394
Other – net	(1,879)	1,690	(17,238)
Total	¥(10,463)	¥(12,474)	$(95,991)

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, 2020 and 2019.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Deferred tax assets:			
Write-down of real estate for sale	¥ 4,085	¥ 3,673	$ 37,477
Accrued bonuses	17,211	16,858	157,899
Accrued enterprise tax	4,178	4,466	38,331
Liability for employees' retirement benefits	82,784	81,488	759,486
Unrealized gains on sales of property, plant and equipment	12,328	12,521	113,101
Excess of depreciation of property, plant and equipment	27,191	25,225	249,459
Tax loss carryforwards	16,437	18,403	150,798
Other	93,645	82,288	859,128
Total of tax loss carryforwards and temporary differences	257,859	244,922	2,365,679
Less valuation allowance	(52,827)	(50,422)	(484,651)
Deferred tax assets	205,032	194,500	1,881,028
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	(2,379)	(2,419)	(21,826)
Net unrealized gain on available-for-sale securities	(16,167)	(21,712)	(148,321)
Other	(17,121)	(14,060)	(157,073)
Deferred tax liabilities	(35,667)	(38,191)	(327,220)
Net deferred tax assets	¥ 169,365	¥ 156,309	$ 1,553,808

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates for the years ended March 31, 2020 and 2019 is immaterial and not disclosed.

17. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥10,129 million ($92,927 thousand) and ¥9,682 million for the years ended March 31, 2020 and 2019, 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
	2019
Assets	¥ 28,136
Liabilities	(14,170)
Goodwill	18,377
Non-controlling interests	(370)
Cost of purchase of shares of subsidiaries	31,973
Cash and cash equivalents of consolidated subsidiary	(1,620)
Purchase of share of subsidiaries resulting in change in scope of consolidation	¥ 30,353

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, 2020 and 2019 were ¥21,569 million ($197,881 thousand) and ¥21,475 million, respectively.

Obligations under finance leases were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2020	2020
Due within one year	¥ 6,084	$ 55,816
Due after one year	79,770	731,835
Total	¥ 85,854	$ 787,651

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		
	2020		
	Buildings and Structures	Machinery and Equipment	Total
Acquisition cost	¥177,975	¥167	¥178,142
Accumulated depreciation	127,958	137	128,095
Accumulated impairment loss	3,938		3,938
Net leased property	¥ 46,079	¥ 30	¥ 46,109

	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

	Thousands of U.S. Dollars		
	2020		
	Buildings and Structures	Machinery and Equipment	Total
Acquisition cost	$ 1,632,798	$ 1,532	$ 1,634,330
Accumulated depreciation	1,173,927	1,257	1,175,184
Accumulated impairment loss	36,128		36,128
Net leased property	$ 422,743	$ 275	$ 423,018

Obligations under finance leases as of March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Due within one year	¥10,487	¥11,034	$ 96,211
Due after one year	48,805	58,388	447,752
Total	¥59,292	¥69,422	$ 543,963

The allowance for impairment loss on leased property of ¥1,759 million ($16,138 thousand) and ¥2,057 million as of March 31, 2020 and 2019, 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, 2020 and 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Depreciation expense	¥ 8,443	¥ 9,377	$ 77,459
Interest expense	3,816	4,408	35,009
Total	¥12,259	¥13,785	$112,468
Lease payments	¥14,882	¥16,190	$136,532
Reversal of allowance for impairment loss on leased property	568	542	5,211
Impairment loss	181	317	1,661

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, 2020 and 2019, were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Gross lease receivables	¥ 45,811	¥ 41,758	$ 420,284
Unguaranteed residual values	1,570	1,188	14,404
Unearned interest income	(16,710)	(15,425)	(153,303)
Investments in lease, current	¥ 30,671	¥ 27,521	$ 281,385

Maturities of lease receivables for finance leases that were deemed to transfer ownership of the leased property to the lessee as of March 31, 2020 are as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2021	¥ 742	$ 6,807
2022	704	6,459
2023	679	6,229
2024	651	5,973
2025	605	5,550
2026 and thereafter	2,114	19,395
Total	¥5,495	$50,413

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, 2020 are as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2021	¥ 6,044	$ 55,449
2022	5,393	49,477
2023	4,421	40,560
2024	3,527	32,358
2025	2,920	26,789
2026 and thereafter	23,506	215,651
Total	¥45,811	$420,284

Operating Leases:

Obligations and future rental income under non-cancellable operating leases as of March 31, 2020 and 2019 were as follows:

(Lessee)

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Due within one year	¥ 53,096	¥ 52,067	$ 487,119
Due after one year	534,396	516,382	4,902,716
Total	¥587,492	¥568,449	$ 5,389,835

Lease transactions of lessees subject to IFRS 16, were not included in the above amount for the year ended March 31, 2020.

(Lessor)

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Due within one year	¥ 4,967	¥ 7,566	$ 45,569
Due after one year	222,053	224,014	2,037,183
Total	¥227,020	¥231,580	$ 2,082,752

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

(a) Fair value of financial instruments

	Millions of Yen		
	2020		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 276,068	¥ 276,068	
Short-term investments	5,367	5,367	
Receivables	433,053		
Allowance for doubtful receivables	(1,197)		
	431,856	431,856	¥ (0)
Marketable and investment securities:			
Held-to-maturity	3,643	3,711	68
Investments in unconsolidated subsidiaries and associated companies	11,000	11,000	
Available-for-sale	117,383	117,383	
Lease deposits	241,030		
Allowance for doubtful accounts	(200)		
	240,830	238,196	(2,634)
Total	¥ 1,086,147	¥ 1,083,581	¥(2,566)
Short-term bank loans	¥ 110,520	¥ 110,520	
Commercial paper	49,000	49,000	
Payables	496,029	496,029	
Income taxes payable	58,980	58,980	
Long-term debt:			
Bonds	342,000	340,171	¥(1,829)
Loans from banks	539,359	540,614	1,255
Lease deposits received	284,323	278,920	(5,403)
Total	¥ 1,880,211	¥ 1,874,234	¥(5,977)

	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)

	Thousands of U.S. Dollars		
	2020		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 2,532,734	$ 2,532,734	
Short-term investments	49,239	49,239	
Receivables	3,972,963		
Allowance for doubtful receivables	(10,981)		
	3,961,982	3,961,982	$ (0)
Marketable and investment securities:			
Held-to-maturity	33,422	34,046	624
Investments in unconsolidated subsidiaries and associated companies	100,917	100,917	
Available-for-sale	1,076,908	1,076,908	
Lease deposits	2,211,284		
Allowance for doubtful accounts	(1,835)		
	2,209,449	2,185,284	(24,165)
Total	$ 9,964,651	$ 9,941,110	$ (23,541)
Short-term bank loans	$ 1,013,945	$ 1,013,945	
Commercial paper	449,541	449,541	
Payables	4,550,724	4,550,724	
Income taxes payable	541,101	541,101	
Long-term debt:			
Bonds	3,137,615	3,120,835	$ (16,780)
Loans from banks	4,948,248	4,959,762	11,514
Lease deposits received	2,608,468	2,558,899	(49,569)
Total	$ 17,249,642	$ 17,194,807	$ (54,835)

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 4.

Lease deposits

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

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

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

Long-term debt

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 21.

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Equity securities	¥ 74,068	¥ 74,793	$ 679,523
Preferred fund certificates	20,325	22,274	186,468
Investments in limited liability partnership and other	16,371	13,790	150,193

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

	Millions of Yen			
	2020			
	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	¥ 276,068			
Short-term investments	5,367			
Receivables	407,188	¥ 22,227	¥ 3,194	¥ 444
Marketable and investment securities:				
Held-to-maturity	820	2,465	403	10
Investments in unconsolidated subsidiaries and associated companies		11,000		
Available-for-sale securities with contractual maturities		192		120
Lease deposits	26,486	76,738	61,108	80,285
Total	¥ 715,929	¥ 112,622	¥ 64,705	¥ 80,859

	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

	Thousands of U.S. Dollars			
	2020			
	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	$ 2,532,734			
Short-term investments	49,239			
Receivables	3,735,670	$ 203,917	$ 29,303	$ 4,073
Marketable and investment securities:				
Held-to-maturity	7,523	22,615	3,697	92
Investments in unconsolidated subsidiaries and associated companies		100,917		
Available-for-sale securities with contractual maturities		1,761		1,101
Lease deposits	242,991	704,018	560,624	736,560
Total	$ 6,568,157	$ 1,033,228	$ 593,624	$ 741,826

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 applied as of March 31, 2020 and 2019 were as follows:

		Millions of Yen						Thousands of U.S. Dollars		
		2020			2019			2020		
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps:										
fixed rate payment, floating rate receipt	Long-term debt –	¥32,591	¥28,702	¥	¥36,345	¥32,721	¥	$299,000	$263,321	$
floating rate payment, fixed rate receipt	Loans from banks				6,960	6,960				
Total		¥32,591	¥28,702	¥	¥43,305	¥39,681	¥	$299,000	$263,321	$
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	¥	¥26,128	¥26,128	¥	$239,706	$239,706	$
Total		¥26,128	¥26,128	¥	¥26,128	¥26,128	¥	$239,706	$239,706	$

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

The above interest rate 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 and interest rate and currency swaps in Note 20 are included in those of the hedged items (i.e., long-term debt).

22. CONTINGENT LIABILITIES

At March 31, 2020, the Company had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes endorsed	¥ 219	$ 2,009
Trade notes discounted	20	183
Guarantees and similar items of bank loans:		
Customer's housing loans	17,883	164,064
Associated companies loans	977	8,963

23. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrealized loss on available-for-sale securities:			
Loss arising during the year	¥(20,572)	¥(33,480)	$(188,734)
Reclassification adjustments to profit or loss	622	(1,499)	5,707
Amount before income tax effect	(19,950)	(34,979)	(183,027)
Income tax effect	5,911	10,686	54,229
Total	¥(14,039)	¥(24,293)	$(128,798)
Deferred gain on derivatives under hedge accounting:			
Gain arising during the year	¥ 14	¥ 24	$ 129
Reclassification adjustments to profit	0	0	0
Amount before income tax effect	14	24	129
Income tax effect	(4)	(14)	(37)
Total	¥ 10	¥ 10	$ 92
Land revaluation difference:			
Income tax effect	¥ 0		$ 0
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (6,853)	¥(10,822)	$ (62,873)
Reclassification adjustments to profit	1,633	279	14,982
Total	¥ (5,220)	¥(10,543)	$ (47,891)
Share of other comprehensive loss in associated companies:			
Loss arising during the year	¥ (1,166)	¥ (3,678)	$ (10,697)
Total	¥ (1,166)	¥ (3,678)	$ (10,697)
Total other comprehensive loss	¥(20,415)	¥(38,504)	$(187,294)

24. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2020 will be approved at the parent company's shareholders' meeting held on June 26, 2020:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥60 ($0.55) per share	¥39,849	$365,587

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