

Note: This document is a translation of the Japanese original. The Japanese original has been disclosed in Japan in accordance with Japanese accounting standards and the Financial Instruments and Exchange Act. This document does not contain or constitute any guarantee and the Company will not compensate any losses and/or damage stemming from actions taken based on this document. In the case that there is any discrepancy between the Japanese original and this document, the Japanese original is assumed to be correct.

Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]

November 10, 2022

Company name: HASEKO Corporation
Code number: 1808

Stock exchange listing: Tokyo Stock Exchange, Prime section
URL: <https://www.haseko.co.jp/hc/>

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 01, 2022 to September 30, 2022)

(1) Consolidated Operating Results

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
September 30, 2022	446,448	7.6	37,704	(9.0)	36,569	(10.7)	24,734	(12.6)
September 30, 2021	414,824	12.1	41,424	33.9	40,945	36.3	28,285	37.7

(Note) Comprehensive income: Six months ended September 30, 2022: ¥ 35,733 million [11.4%]
Six months ended September 30, 2021: ¥ 32,085 million [43.3%]

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
September 30, 2022	90.01	-
September 30, 2021	102.90	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
September 30, 2022	1,049,467	441,139	42.0
March 31, 2022	1,081,907	417,667	38.6

(Reference) Shareholder's equity: As of September 30, 2022: ¥ 441,135 million
As of March 31, 2022: ¥ 417,662 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	35.00	-	45.00	80.00
Fiscal year ending March 31, 2023	-	40.00	-	-	-
Fiscal year ending March 31, 2023 (Forecast)	-	-	-	40.00	80.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 01, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	960,000	5.5	87,000	5.2	85,000	3.8	57,000	4.6	207.41

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2022

(Changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common stocks)

1) Total number of issued shares at the end of the period (including treasury stocks):

September 30, 2022: 300,794,397 shares

March 31, 2022: 300,794,397 shares

2) Total number of treasury shares at the end of the period:

September 30, 2022: 25,980,911 shares

March 31, 2022: 26,148,175 shares

3) Average number of shares during the period:

Six months ended September 30, 2022: 274,792,033 shares

Six months ended September 30, 2021: 274,882,627 shares

(Note) The number of treasury stocks above includes shares held as the trust assets for the Board Benefit Trust (BBT) and the Employee Stock Ownership Plan (ESOP).

Shares of the Company's own stock held in BBT and ESOP trust accounts are included in treasury stock subtracted from the calculation of the average number of shares during the period.

This report is not subject to audit procedures by certified public accountants or audit firms.

Explanation regarding appropriate use of forecasts, and other specific comments

The forecasts contained herein are based on information available as of the date of this announcement, and the actual results may differ materially from forecasts due to various factors. For details of assumptions for financial forecasts and other related matters, please refer to "1. Qualitative Information on Quarterly Financial Results (4) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking information" on page 3 of the Attachment.

Supplementary materials for this report and results briefing materials can be found on the Company's website.

Table of contents of appendix

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Results of Operation	2
(2) Explanation of Financial Position	3
(3) Explanation of Cash Flows	3
(4) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking information	3
2. Quarterly Consolidated Financial Statements and Principal Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(Quarterly Consolidated Statements of Income)	6
(Quarterly Consolidated Statements of Comprehensive Income)	8
(3) Quarterly Consolidated Statements of Cash Flows	9
(4) Notes to Quarterly Consolidated Financial Statements	11
(Notes to Going Concern Assumption)	11
(Notes to Significant Changes in the Amount of Shareholders' Equity)	11
(Changes in Accounting Policies)	11
(Segment Information)	12
3. Non-consolidated Orders Received	13

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operation

For the six months ended on September 30, 2022, Net sales were 446.4 billion yen (up 7.6% year on year) because an increase in a transaction volume of real estate for the purpose of receiving construction orders by the Company.

Operating income was 37.7 billion yen (down 9.0% year on year) due to a decrease in the gross profit of completed construction contracts associated with a decrease in its gross profit margin, and an increase in selling, general and administrative expenses.

Ordinary income was 36.6 billion yen (down 10.7% year on year) and net income attributable to owners of parents was 24.7 billion yen (down 12.6% year on year.)

Operating results by reportable segment are as follow:

	Billions of yen							
	Construction-related business		Real estate-related business		Service-related business		Overseas-related business	
Net Sales	329.3	(+38.4)	44.2	(-3.7)	103.1	(+8.1)	0.0	(-0.0)
Segment income	31.8	(+0.1)	7.3	(-0.3)	4.6	(+0.1)	-1.6	(-0.7)

Figures in parentheses show the amount of increase or decrease from the same period of the previous fiscal year

(Construction-related business)

For construction works, projects owners have had high regard for the Company's ability in gathering land information as well as product planning, its attitude regarding construction quality and maintaining construction schedules, efficient production system, and such. Meanwhile, the gross profit margin of completed construction contracts lowered due to worsened construction profitability upon receiving orders and higher costs of material and labor, among other factors.

In terms of orders for new construction of for-sale condominiums, the Company won orders for 33 projects in total throughout Japan consisting of 27 projects in the Tokyo metropolitan area including 7 large projects of at least 200 units and 6 in the Kinki and Tokai areas including 1 large projects of at least 200 units. In addition, aside from construction of for-sale condominiums, the Company received orders for 7 projects for rental housing, etc. As for construction completion, the Company completed construction of 28 projects including 3 projects for non-residential.

The segment posted sales of 329.3 billion yen, (up 13.2% year on year) because an increase in a transaction volume of real estate for the purpose of receiving construction orders by the Company. Operating income was 31.8 billion yen, (up 0.2% year on year) because of an increase in the gross profit of real estate sales, despite a decrease in the gross profit of completed construction contracts due to a decrease in its gross profit margin.

(Real estate-related Business)

The segment posted sales of 44.2 billion yen, (down 7.7% year on year) and operating income of 7.3 billion yen (down 3.9% year on year) because of a decrease of supply new for-sale condominiums by consolidated companies.

(Service-related Business)

The volume of repair work in large-scale repair work and interior remodeling, the number of sold units in the renovation business and the volume of construction work in common areas and exclusive areas in for-sale condominium management operations increased. Meanwhile, the number of units to be delivered in consigned sales of newly built condominiums decreased.

The segment posted sales of 103.1 billion yen (up 8.5% year on year) and operating income of 4.6 billion yen (up 1.4% year on year.)

(Overseas-related business)

Construction and sales of new for-sale houses and development of a commercial facility are still progressing in Oahu, Hawaii.

The segment posted sales of 0.0 billion yen (the sales of 0.0 billion yen in the same period of the previous fiscal year) and operating loss of 1.6 billion yen (the operating loss of 0.9 billion yen in the same period of the previous fiscal year.)

(2) Explanation of Financial Position

Total assets as of September 30, 2022 decreased by 32.4 billion yen from the end of the previous fiscal year to 1,049.5 billion yen. This is attributable to a decrease of cash and bank deposits in accordance with the payment of income taxes and dividend.

Total liabilities were 608.3 billion yen, a decrease of 55.9 billion yen from the end of the previous fiscal year. This is attributable to decreases in income taxes payable and accounts payable.

Net assets were 441.1 billion yen, an increase of 23.5 billion yen from the end of the previous fiscal year. This is attributable to the recording of net income attributable to owners of parents.

(3) Explanation of Cash Flows

The balance of cash and cash equivalents as of September 30, 2022 totaled 188.0 billion yen, a decrease of 76.8 billion yen from the end of the previous fiscal year.

Net cash used in operating activities for the six months ended on September 30, 2022 was 39.7 billion yen, a decrease of 44.8 billion yen compared with the net cash provided by operating activities totaling 5.1 billion yen in the same period of previous fiscal year. Major factors included a decrease of 31.7 billion yen in cash accordance with a decrease in deposits (in contrast to a decrease of 0.2 billion yen in cash for the same period of previous fiscal year.)

Net cash used in investing activities for the six months ended on September 30, 2022 was 24.4 billion yen, a decrease of 10.5 billion yen compared with the net cash used in investing activities totaling 13.9 billion yen in the same period of previous fiscal year. Major factors included a decrease of 8.6 billion yen in cash in accordance with purchase of investment securities (in contrast to a decrease of 0.8 billion yen in cash for the same period of previous fiscal year.)

Net cash used in financing activities for the six months ended on September 30, 2022 was 14.5 billion yen, a decrease of 45.6 billion yen compared with the net cash provided by financing activities totaling 31.1 billion yen in the same period of previous fiscal year. Major factors included a decrease of 0.6 billion yen in cash as a result of newly borrowing of debt and repayment (in contrast to an increase of 45.5 billion yen in cash for the same period of previous fiscal year.)

(4) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information

There is no change in the forecast announced on May 12th, 2022.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2022	As of September 30,2022
Assets		
Current assets		
Cash and bank deposits	266,891	190,347
Notes and accounts receivable, trade	147,945	132,828
Marketable securities	576	678
Costs on uncompleted construction contracts	11,379	13,551
Real estate for sale	165,818	148,006
Costs and advances for real estate operations	176,887	210,184
Real estate for development projects	26,027	30,971
Other	14,642	22,048
Allowance for doubtful accounts	(84)	(88)
Total current assets	810,079	748,526
Fixed assets		
Property and equipment		
Buildings and structures	83,854	83,982
Machinery, vehicles, equipment and furniture	10,239	10,412
Land	96,325	106,346
Leased assets	1,203	1,257
Construction in progress	13,956	22,349
Accumulated depreciation	(31,396)	(33,081)
Total property and equipment	174,182	191,264
Intangible assets		
Land leasehold rights	1,895	1,894
Goodwill	2,387	2,286
Other	5,810	5,717
Total intangible assets	10,092	9,897
Investments and other assets		
Investment securities	43,125	54,251
Long-term loans receivable	2,333	3,633
Net defined benefit asset	20,416	21,215
Deferred tax assets	8,918	8,075
Other	13,548	13,421
Allowance for doubtful accounts	(787)	(815)
Total investments and other assets	87,554	99,780
Total fixed assets	271,828	300,941
Total assets	1,081,907	1,049,467

(Million yen)

	As of March 31,2022	As of September 30,2022
Liabilities		
Current liabilities		
Notes and accounts payable	86,480	78,127
Electronically recorded obligations	55,562	52,047
Current portion of long-term debt	31,841	31,205
Income taxes payable	16,495	10,458
Advances received on uncompleted construction contracts	25,472	26,758
Advances received for real estate sales	38,095	44,668
Warranty	5,487	4,485
Allowance for losses on construction contracts	384	341
Accrued bonuses for employees	5,322	4,760
Accrued bonuses for director	157	-
Other	85,249	41,168
Total current liabilities	350,543	294,018
Long-term liabilities		
Straight bonds	90,000	90,000
Long-term debt	190,000	190,000
Provision for loss on litigation	2,484	2,921
Provision for employee stock ownership plan	3,446	3,597
Provision for board benefit trust	421	427
Liability for retirement benefit	1,446	1,557
Deferred tax liabilities	18	18
Other	25,883	25,790
Total long-term liabilities	313,697	314,310
Total liabilities	664,240	599,656
Net assets		
Shareholders' equity		
Capital stock	57,500	57,500
Capital surplus	7,373	7,373
Retained earnings	392,149	404,390
Treasury stock	(34,333)	(34,101)
Total shareholders' equity	422,689	435,162
Accumulated other comprehensive income		
Net unrealized gain(loss) on other securities	2,358	2,076
Translation adjustment	(2,180)	8,690
Retirement benefits liability adjustments	(5,205)	(4,792)
Total accumulated other comprehensive income	(5,027)	5,973
Non-controlling interests	5	4
Total net assets	417,667	441,139
Total liabilities and net assets	1,081,907	1,049,467

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the six months)

(Million yen)

	For the six months ended September 30,2021	For the six months ended September 30,2022
Net sales		
Construction contracts	227,987	229,970
Design and supervision	3,370	3,810
Leasing and management	41,263	42,021
Real estate sale	133,407	161,635
Others	8,797	9,013
Total net sales	414,824	446,448
Cost of sales		
Construction contracts	187,781	190,729
Design and supervision	1,883	1,705
Leasing and management	31,789	32,671
Real estate sale	113,063	142,081
Others	7,255	7,345
Total cost of sales	341,771	374,532
Gross profit		
Construction contracts	40,206	39,240
Design and supervision	1,487	2,105
Leasing and management	9,474	9,350
Real estate sale	20,344	19,554
Others	1,542	1,668
Total gross profit	73,053	71,916
Selling, general and administrative expenses	31,630	34,212
Operating income	41,424	37,704
Non-operating income		
Interest income	43	40
Dividend income	999	206
Other	614	819
Total non-operating income	1,656	1,066
Non-operating expenses		
Interest expenses	803	863
Share of loss of entities accounted for using equity method	1	0
Incidental expenses for loan	1,294	1,317
Other	36	21
Total non-operating expenses	2,134	2,202
Ordinary income	40,945	36,569

(Million yen)

	For the six months ended September 30,2021	For the six months ended September 30,2022
Special income		
Gain on sale of property and equipment	3	8
Gain on sale of investment securities	72	-
Subsidy income	-	45
Total special income	74	53
Special losses		
Loss on disposal of property and equipment	23	31
Loss on tax purpose reduction entry of fixed assets	-	41
Total special losses	23	71
Income before income taxes	40,997	36,551
Income taxes - current	10,066	11,201
Income taxes - deferred	2,647	616
Total income taxes	12,713	11,817
Net income	28,284	24,733
Net income attributable to non-controlling interests	(0)	(0)
Net income attributable to owners of parent	28,285	24,734

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Million yen)

	For the six months ended September 30,2021	For the six months ended September 30,2022
Net income	28,284	24,733
Other comprehensive income		
Net unrealized gain(loss) on other securities	205	(282)
Translation adjustments	3,209	10,869
Retirement benefits liability adjustments	387	413
Total other comprehensive income	3,800	11,000
Comprehensive income	32,085	35,733
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	32,085	35,734
Comprehensive income attributable to non-controlling interests	(0)	(0)

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30,2021	For the six months ended September 30,2022
Cash flows from operating activities		
Income before income taxes	40,997	36,551
Depreciation	2,839	2,972
Amortization of goodwill	102	102
Provision (reversal) of allowance for doubtful accounts	4	31
Increase (decrease) in provision for loss on litigation	(2)	(0)
Interest and dividend income	(1,042)	(247)
Interest expenses	803	863
Equity in earnings of affiliates	1	0
Loss (gain) on sale of investment securities	(72)	-
Loss (gain) on disposal of property and equipment	20	22
Valuation loss on inventories	448	-
Decrease (increase) in notes and accounts receivables	(1,387)	15,162
Decrease (increase) in costs on uncompleted construction contracts	(1,974)	(2,172)
Decrease (increase) in inventories	(10,695)	(19,220)
Increase (decrease) in notes, accounts payable and accrued expenses	(20,156)	(11,922)
Increase (decrease) in amounts received for uncompleted construction contracts	2,123	1,287
Increase (decrease) in deposits	(150)	(31,667)
Other, net	10,152	(13,242)
Subtotal	22,011	(21,481)
Interest and dividends received	1,035	238
Interest paid	(746)	(855)
Income taxes paid	(17,167)	(17,589)
Net cash provided by (used in) operating activities	5,133	(39,687)
Cash flows from investing activities		
Purchase of property, equipment and intangible assets	(12,843)	(14,695)
Proceeds from sale of property, equipment and intangible assets	11	58
Payment for purchase of investment securities	(795)	(8,560)
Proceeds from sale of investment securities	158	19
Loan advances	(4,931)	(7,995)
Proceeds from collection of loans receivable	4,360	6,764
Payments of leasehold and guarantee deposits	(578)	(462)
Proceeds from refund of leasehold and guarantee deposits	643	496
Other, net	81	(59)
Net cash provided by (used in) investing activities	(13,895)	(24,434)

(Million yen)

	For the six months ended September 30,2021	For the six months ended September 30,2022
Cash flows from financing activities		
Increase in long-term debt	50,000	-
Repayments of long-term debt	(4,457)	(636)
Purchase of treasury stock	(3,084)	(2)
Incidental expenses for loan	(1,279)	(1,307)
Cash dividends paid	(9,786)	(12,493)
Other, net	(270)	(54)
Net cash provided by (used in) financing activities	31,124	(14,492)
Effect of exchange rate change on cash and cash equivalents	481	1,766
Net increase (decrease) in cash and cash equivalents	22,842	(76,847)
Cash and cash equivalents at beginning of period	214,299	264,864
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	7	-
Cash and cash equivalents at end of period	237,148	188,017

(4) Notes to Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

(Notes to Significant Changes in the Amount of Shareholder's Equity)

Not applicable.

(Changes in Accounting Policies)

(Accounting Standards Relating to Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 31, June 17, 2021; hereinafter referred to as the "Fair Value Accounting Standard"), etc. from the beginning of the current fiscal year, and in accordance with the transitional treatment stipulated in Article 27-2 of the Accounting Standard for Financial Instruments, the new accounting policy stipulated in the Fair Value Accounting Standards, etc. will be applied prospectively. The impact on the quarterly consolidated financial statement is immaterial.

(Segment information)

1. Reportable segment information (net sales and income (loss))

For the six months ended September 30,2021

(Millions of Yen)

	Reportable Segments				Total	Adjustments and eliminations (Note 1)	Consolidated (Note 2)
	Construction- related business	Real estate- related business	Service- related business	Overseas- related business			
Net sales							
Sales to third parties	276,718	47,364	90,738	5	414,824	—	414,824
Inter-segment sales and transfer	14,138	496	4,290	—	18,923	(18,923)	—
Total	290,856	47,860	95,027	5	433,748	(18,923)	414,824
Segment income(loss)	31,774	7,606	4,505	(926)	42,958	(1,535)	41,424

Note 1 : Adjustment and eliminations for segment income include 432 million yen of elimination of inter-segment transactions and (1,966) million yen of corporate expenses, which are not allocable to the reportable segments. These corporate expenses mainly consist of general and administrative expenses not attributable to reportable segments.

Note 2 : Segment income(loss) has been adjusted with operating income in the consolidated statement of income.

For the six months ended September 30,2022

(Millions of Yen)

	Reportable Segments				Total	Adjustments and eliminations (Note 1)	Consolidated (Note 2)
	Construction- related business	Real estate- related business	Service- related business	Overseas- related business			
Net sales							
Sales to third parties	303,896	43,942	98,609	1	446,448	—	446,448
Inter-segment sales and transfer	25,381	228	4,517	—	30,125	(30,125)	—
Total	329,277	44,169	103,126	1	476,574	(30,125)	446,448
Segment income(loss)	31,844	7,306	4,568	(1,606)	42,113	(4,408)	37,704

Note 1 : Adjustment and eliminations for segment income include (2,093) million yen of elimination of inter-segment transactions and (2,315) million yen of corporate expenses, which are not allocable to the reportable segments. These corporate expenses mainly consist of general and administrative expenses not attributable to reportable segments.

Note 2 : Segment income(loss) has been adjusted with operating income in the consolidated statement of income.

3.Non-consolidated Orders received

(1) Non-consolidated Orders received

	Orders	
	Millions of Yen	%
For the six months ended September 30, 2022	162,408	14.9
For the six months ended September 30, 2021	141,364	(13.9)

* % indicates changes from the previous corresponding period.

Breakdown of orders Received

[Millions of Yen]

	For the six months ended September 30, 2021		For the six months ended September 30, 2022		Increase (decrease)	
	Amount	%	Amount	%	Amount	%
Private-sector condominiums	124,624	(93.3%)	128,567	(84.9%)	3,943	3.2%
Rental condominiums, Company housing, etc.	2,906	(2.2%)	13,707	(9.0%)	10,801	371.7%
Residence Total	127,530	(95.5%)	142,274	(93.9%)	14,743	11.6%
Non-Residence	146	(0.1%)	2,859	(1.9%)	2,713	—
Others	5,887	(4.4%)	6,355	(4.2%)	468	8.0%
Construction Total	133,564	94.5%	151,488	93.3%	17,925	13.4%
Consulting Contracts	2,688	1.9%	3,483	2.1%	796	29.6%
Construction business	136,251	96.4%	154,972	95.4%	18,720	13.7%
Design and Supervision	5,112	3.6%	7,436	4.6%	2,324	45.5%
Orders Total	141,364	100.0%	162,408	100.0%	21,044	14.9%

* The figures in parentheses refer to the proportion of Construction Total.

(2) Non-consolidated Orders received forecast

	Annual	
	Millions of Yen	%
March 2022 forecast	480,000	1.6
March 2021 result	472,314	9.8

* % indicates changes from the previous corresponding period.

Qualitative information of Orders Received result and forecast

Construction total were 151.5 billion yen, increased by 17.9 billion yen (up 13.4% year on year) and Orders received were 162.4 billion yen (up 14.9% year on year.) A progress rate against the annual forecast of 480 billion yen was 33.8% and we haven't revised the annual forecast.