CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2017 AND 2018
ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	**2018**	**2018**
ASSETS			
Current Assets:			
Cash and bank deposits (Notes 5, 10 and 15)	¥201,269	**¥208,055**	**$1,958,349**
Notes and accounts receivable, trade (Notes 5 and 10)	117,607	**110,613**	**1,041,162**
Marketable securities (Notes 5, 6 and 10)	3,854	**3,840**	**36,145**
Costs on uncompleted construction contracts	9,340	**9,208**	**86,672**
Inventories (Notes 7, 10 and 13)	128,903	**162,746**	**1,531,871**
Deferred tax assets (Note 18)	5,445	**7,292**	**68,637**
Other current assets (Note 10)	12,367	**10,997**	**103,510**
Allowance for doubtful accounts (Note 5)	(174)	**(188)**	**(1,770)**
Total current assets	478,611	**512,563**	**4,824,576**
Property and Equipment (Notes 8 and 10)	110,392	**125,125**	**1,177,758**
Intangible Assets (Notes 8 and 10)	7,331	**7,215**	**67,912**
Investments and Other Assets:			
Investment securities (Notes 5, 6 and 10)	13,524	**18,155**	**170,887**
Long-term loans receivable (Note 5)	2,844	**2,822**	**26,563**
Net defined benefit asset (Note 17)	4,164	**9,706**	**91,359**
Long-term deferred tax assets (Note 18)	2,011	**–**	**–**
Other assets	12,861	**13,525**	**127,306**
Allowance for doubtful accounts (Note 5)	(801)	**(803)**	**(7,558)**
Total investments and other assets	34,603	**43,405**	**408,557**
Total assets	¥630,937	**688,308**	**6,478,803**

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2017 AND 2018
LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	**2018**	**2018**
LIABILITIES			
Current Liabilities:			
Short-term borrowings (Notes 5 and 9)	¥ 10,000	**¥ 10,000**	**$ 94,127**
Current portion of long-term debt (Notes 5, 9 and 10)	25,771	**26,471**	**249,162**
Lease obligations (Notes 5 and 9)	1,352	**1,327**	**12,491**
Notes and accounts payable (Note 5)	81,405	**86,658**	**815,681**
Electronically recorded obligations (Note 5)	39,598	**49,343**	**464,448**
Income taxes payable (Notes 5 and 18)	16,755	**20,605**	**193,948**
Advances received on uncompleted construction contracts	22,256	**20,921**	**196,922**
Advances received for real estate sales	10,532	**9,652**	**90,851**
Warranty	4,904	**4,980**	**46,875**
Allowance for losses on construction contracts	78	**44**	**414**
Accrued bonuses for employees	4,066	**5,919**	**55,713**
Accrued bonuses for director	120	**190**	**1,788**
Other current liabilities	53,165	**44,786**	**421,556**
Total current liabilities	270,002	**280,896**	**2,643,976**
Long-term Liabilities:			
Straight bonds (Notes 5 and 9)	20,000	**20,000**	**188,253**
Long-term debt (Notes 5, 9, 10 and 16)	77,493	**60,194**	**566,585**
Lease obligations (Notes 5 and 9)	7,235	**7,450**	**70,124**
Net defined benefit liability (Note 17)	1,016	**921**	**8,669**
Provision for loss on litigation	–	**2,705**	**25,461**
Provision for employee stock ownership plan (Note 3)	518	**1,037**	**9,761**
Provision for board benefit trust (Note 3)	80	**171**	**1,610**
Long-term deferred tax liabilities (Note 18)	–	**602**	**5,666**
Other long-term liabilities	16,126	**17,497**	**164,694**
Total long-term liabilities	122,468	**110,577**	**1,040,823**
Total liabilities	392,470	**391,473**	**3,684,799**
Commitments and Contingent Liabilities (Notes 11 and 12)			
NET ASSETS (Notes 14 and 19)			
Shareholders' Equity:			
Capital stock	57,500	**57,500**	**541,227**
Capital surplus	7,500	**7,513**	**70,717**
Retained earnings	180,509	**240,880**	**2,267,319**
Treasury stock, at cost — 191,946 shares in 2017			
— 3,439,632 shares in 2018	(151)	**(4,648)**	**(43,749)**
Total shareholders' equity	245,358	**301,245**	**2,835,514**
Accumulated Other Comprehensive Income:			
Net unrealized gain on other securities	1,631	**4,279**	**40,277**
Translation adjustments	(3,215)	**(4,144)**	**(39,006)**
Retirement benefits liability adjustments	(5,926)	**(5,381)**	**(50,650)**
Total accumulated other comprehensive income (loss)	(7,510)	**(5,246)**	**(49,379)**
Non-controlling Interests	619	**836**	**7,869**
Total net assets	238,467	**296,835**	**2,794,004**
Total liabilities and net assets	¥630,937	**¥688,308**	**$6,478,803**

See notes to consolidated financial statements.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEARS ENDED MARCH 31, 2017 AND 2018

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	**2018**	**2018**
Net Sales (Note 13)	¥772,328	**¥813,276**	**$7,655,083**
Cost of Sales (Note 13)	629,454	**656,031**	**6,174,991**
Gross profit	142,874	**157,245**	**1,480,092**
Selling, General and Administrative Expenses (Note 13)	53,842	**56,440**	**531,250**
Operating Income	89,032	**100,805**	**948,842**
Other Income (Expenses):			
Interest and dividend income	1,182	**739**	**6,956**
Equity in earnings of affiliates	77	**30**	**282**
Interest expense	(1,401)	**(1,101)**	**(10,363)**
Incidental expense for loan	(823)	**(706)**	**(6,645)**
Other, net	760	**730**	**6,871**
	(205)	**(308)**	**(2,899)**
Ordinary income	88,827	**100,497**	**945,943**
Special Income (Losses):			
Gain (loss) on disposal or sales of property and equipment, net (Note 8)	1,105	**3,421**	**32,201**
Impairment loss on fixed assets	(11,778)	**(197)**	**(1,854)**
Provision for loss on litigation	–	**(2,705)**	**(25,461)**
Other, net	102	**5**	**46**
	(10,571)	**524**	**4,932**
Income before Income Taxes	78,256	**101,021**	**950,875**
Income Taxes (Note 18)**:**			
Current	21,385	**28,978**	**272,760**
Deferred	(2,078)	**(492)**	**(4,632)**
	19,307	**28,486**	**268,128**
Net Income	58,949	**72,535**	**682,747**
Net Income Attributable to Non-controlling Interests	187	**246**	**2,316**
Net Income Attributable to Owners of Parent (Note 19)	¥ 58,762	**72,289**	**680,431**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED MARCH 31, 2017 AND 2018

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	**2018**	**2018**
Net Income	¥58,949	**¥72,535**	**$682,747**
Other Comprehensive Income			
Net unrealized gain (loss) on other securities	(121)	**2,647**	**24,914**
Translation adjustments	(799)	**(929)**	**(8,744)**
Retirement benefits liability adjustments	87	**545**	**5,130**
Total other comprehensive income (loss)	(833)	**2,263**	**21,300**
Comprehensive Income (Note 22)	58,116	**74,798**	**704,047**
Total Comprehensive Income Attributable to:			
Comprehensive income attributable to owners of parent	57,929	**74,553**	**701,741**
Comprehensive income attributable to non-controlling interests	187	**245**	**2,306**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2018

For the year ended March 31, 2017

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
			(Millions of yen)		
Balance at April 1, 2016	**¥57,500**	**¥7,500**	**¥126,726**	**¥(146)**	**¥191,580**
Net income attributable to owners of parent for the year ended March 31, 2017	–	–	58,762	–	58,762
Cash dividend	–	–	(4,509)	–	(4,509)
Purchase of treasury stock	–	–	–	(5)	(5)
Disposal of treasury stock	–	0	–	–	0
Increased due to merger etc.	–	–	–	–	–
Decrease due to change in scope of equity method	–	–	(470)	–	(470)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	0	–	–	0
Net changes in items other than those in shareholders' equity	–	–	–	–	–
Total changes during the year	–	0	53,783	(5)	53,778
Balance at March 31, 2017	**¥57,500**	**¥7,500**	**¥180,509**	**¥(151)**	**¥245,358**

	Accumulated other comprehensive income					
	Net unrealized gain (loss) on other securities	Translation adjustments	Retirement benefits liablity adjustments	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
			(Millions of yen)			
Balance at April 1, 2016	**¥1,786**	**¥(2,416)**	**¥(6,013)**	**¥(6,643)**	**¥438**	**¥185,375**
Net income attributable to owners of parent for the year ended March 31, 2017	–	–	–	–	–	58,762
Cash dividend	–	–	–	–	–	(4,509)
Purchase of treasury stock	–	–	–	–	–	(5)
Disposal of treasury stock	–	–	–	–	–	0
Increased due to merger etc.	–	–	–	–	–	–
Decrease due to change in scope of equity method	–	–	–	–	–	(470)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	–	–	–	0
Net changes in items other than those in shareholders' equity	(155)	(799)	87	(867)	181	(686)
Total changes during the year	(155)	(799)	87	(867)	181	53,092
Balance at March 31, 2017	**¥1,631**	**¥(3,215)**	**¥(5,926)**	**¥(7,510)**	**¥619**	**¥238,467**

See notes to consolidated financial statements.

For the year ended March 31, 2018

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
			(Millions of yen)		
Balance at April 1, 2017	**¥57,500**	**¥7,500**	**¥180,509**	**¥ (151)**	**¥245,358**
Net income attributable to owners of parent for the year ended March 31, 2018	–	–	72,289	–	72,289
Cash dividend	–	–	(12,024)	–	(12,024)
Purchase of treasury stock	–	–	–	(4,497)	(4,497)
Disposal of treasury stock	–	0	–	0	0
Increased due to merger etc.	–	–	106	–	106
Decrease due to change in scope of equity method	–	–	–	–	–
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	13	–	–	13
Net changes in items other than those in shareholders' equity	–	–	–	–	–
Total changes during the year	–	13	60,371	(4,648)	55,887
Balance at March 31, 2018	**¥57,500**	**¥7,513**	**¥240,880**	**¥(4,648)**	**¥301,245**

	Accumulated other comprehensive income					
	Net unrealized gain (loss) on other securities	Translation adjustments	Retirement benefits liablity adjustments	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
			(Millions of yen)			
Balance at April 1, 2017	**¥1,631**	**¥(3,215)**	**¥(5,926)**	**¥(7,510)**	**¥619**	**¥238,467**
Net income attributable to owners of parent for the year ended March 31, 2018	–	–	–	–	–	72,289
Cash dividend	–	–	–	–	–	(12,024)
Purchase of treasury stock	–	–	–	–	–	(4,497)
Disposal of treasury stock	–	–	–	–	–	0
Increased due to merger etc.	–	–	–	–	–	106
Decrease due to change in scope of equity method	–	–	–	–	–	–
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	–	–	–	13
Net changes in items other than those in shareholders' equity	2,648	(929)	545	2,264	217	2,481
Total changes during the year	2,648	(929)	545	2,264	217	58,368
Balance at March 31, 2018	**¥4,279**	**¥(4,144)**	**¥(5,381)**	**¥(5,246)**	**¥836**	**¥296,835**

See notes to consolidated financial statements.

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	(Thousands of U.S. dollars) (Note 4)				
Balance at April 1, 2017	**$541,227**	**$70,595**	**$1,699,068**	**$ (1,421)**	**$2,309,469**
Net income attributable to owners of parent for the year ended March 31, 2018	–	–	680,431	–	680,431
Cash dividend	–	–	(113,178)	–	(113,178)
Purchase of treasury stock	–	–	–	(42,328)	(42,328)
Disposal of treasury stock	–	0	–	–	0
Increased due to merger etc.	–	–	998	–	998
Decrease due to change in scope of equity method	–	–	–	–	–
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	122	–	–	122
Net changes in items other than those in shareholders' equity	–	–	–	–	–
Total changes during the year	541,227	122	568,251	(42,328)	526,045
Balance at March 31, 2018	**$541,227**	**$70,717**	**$2,267,319**	**$(43,749)**	**$2,835,514**

	Accumulated other comprehensive income					
	Net unrealized gain (loss) on other securities	Translation adjustments	Retirement benefits liablity adjustments	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
	(Thousands of U.S. dollars) (Note 4)					
Balance at April 1, 2017	**$15,352**	**$(30,262)**	**$(55,779)**	**$(70,689)**	**$5,826**	**$2,244,606**
Net income attributable to owners of parent for the year ended March 31, 2018	–	–	–	–	–	680,431
Cash dividend	–	–	–	–	–	(113,178)
Purchase of treasury stock	–	–	–	–	–	(42,328)
Disposal of treasury stock	–	–	–	–	–	0
Increased due to merger etc.	–	–	–	–	–	998
Decrease due to change in scope of equity method	–	–	–	–	–	–
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	–	–	–	122
Net changes in items other than those in shareholders' equity	24,925	(8,744)	5,129	21,310	2,043	23,353
Total changes during the year	24,925	(8,744)	5,129	21,310	2,043	549,398
Balance at March 31, 2018	**$40,277**	**$(39,006)**	**$(50,650)**	**$(49,379)**	**$7,869**	**$2,794,004**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2018

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	**2018**	**2018**
Cash Flows from Operating Activities:			
Income before income taxes	¥ 78,256	**¥101,021**	**$ 950,875**
Depreciation	3,453	**3,726**	**35,072**
Impairment loss on fixed assets	11,778	**197**	**1,854**
Provision for loss on litigation	–	**2,705**	**25,461**
Amortization of goodwill	2,832	**663**	**6,241**
(Reversal of) provision of allowance for doubtful accounts	(15)	**2**	**19**
Interest and dividend income	(1,182)	**(739)**	**(6,956)**
Interest expense	1,401	**1,101**	**10,363**
Equity in earnings of affiliates	(77)	**(30)**	**(282)**
Gain on disposal or sale of property and equipment, net	(1,105)	**(3,421)**	**(32,201)**
Valuation loss on inventories	158	**102**	**960**
Changes in operating assets and liabilities			
Notes and accounts receivable	13,007	**7,063**	**66,482**
Costs on uncompleted construction contracts	645	**132**	**1,242**
Inventories	4,375	**(35,576)**	**(334,864)**
Notes, accounts payable and accrued expenses	(14,281)	**15,867**	**149,351**
Advances received on uncompleted construction contracts	11,978	**(1,335)**	**(12,566)**
Deposits	14,493	**(10,899)**	**(102,588)**
Other	(1,517)	**2,198**	**20,688**
Subtotal	124,199	**82,777**	**779,151**
Interest and dividends received	1,232	**997**	**9,384**
Interest paid	(1,191)	**(1,065)**	**(10,024)**
Income taxes paid	(14,704)	**(26,193)**	**(246,546)**
Net Cash Provided by Operating Activities	109,536	**56,516**	**531,965**
Cash Flows from Investing Activities:			
Payment for purchase of securities	(6,772)	**(7,560)**	**(71,160)**
Proceeds from redemption of securities	4,086	**6,311**	**59,403**
Purchases of property and equipment and intangible assets	(24,146)	**(28,581)**	**(269,023)**
Proceeds from sales of property and equipment and intangible assets	8,447	**15,578**	**146,630**
Payment for purchase of investment securities	(135)	**(1,297)**	**(12,208)**
Proceeds from sale of investment securities	1,543	**4**	**38**
Payment for acquisition of subsidiaries' shares resulting in change in the scope of consolidation	(2,370)	**–**	**–**
Payment for loans receivable	(2,134)	**(3,123)**	**(29,396)**
Collection of loans receivable	2,749	**3,056**	**28,765**
Payment for lease deposits	(1,493)	**(1,570)**	**(14,778)**
Refund of lease deposits	1,166	**669**	**6,297**
Other	(765)	**162**	**1,526**
Net Cash Used in Investing Activities	(19,824)	**(16,351)**	**(153,906)**
Cash Flows from Financing Activities:			
Decrease in short-term borrowings, net	10,000	**–**	**–**
Increase in long-term debt	18,728	**14,057**	**132,314**
Repayment of long-term debt	(62,715)	**(30,533)**	**(287,396)**
Purchase of treasury stock	(4)	**(4,506)**	**(42,413)**
Incidental expenses for loan	(824)	**(694)**	**(6,532)**
Cash dividends paid	(4,509)	**(12,024)**	**(113,178)**
Cash dividends paid to non-controlling shareholders	(6)	**(6)**	**(56)**
Repayment of lease obligations	(882)	**(1,039)**	**(9,780)**
Other	(1)	**2**	**17**
Net Cash Used in Financing Activities	(40,213)	**(34,743)**	**(327,024)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(158)	**(167)**	**(1,572)**
Net Increase (Decrease) in Cash and Cash Equivalents	49,341	**5,255**	**49,463**
Cash and Cash Equivalents at Beginning of the Year	152,115	**201,456**	**1,896,235**
Increase in Cash and Cash Equivalents Resulting from Merger of Unconsolidated Subsidiaries	–	**155**	**1,459**
Cash and Cash Equivalents at End of the Year (Note 15)	¥201,456	**¥206,866**	**$1,947,157**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Haseko Corporation and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2018

1. Basis of Presentation

Haseko Corporation (the "Company") and its consolidated domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and Haseko America Inc. and its subsidiaries ("Haseko America") maintain their books of account in conformity with the financial accounting standards of the United States of America.

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Certain reclassifications or summaries of accounts have been made to present the consolidated financial statements in a form which is more familiar to readers outside Japan.

2. Summary of Significant Accounting Policies

(1) Scope of consolidation

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. As of March 31, 2018, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 63 and 1 (60 and 1 in 2017), respectively. Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less.

The fiscal year of Haseko America and its subsidiaries ends on December 31, and they are included in the consolidation as of that date. The necessary adjustments for significant transactions that occur during the period from January 1 to March 31 are made in the preparation of the consolidated financial statements.

The fiscal year of the three silent partnerships operated by RS1 LLC, JMC1, LLC, and JMC2, LLC, respectively, ends on February 28, and they are included in the consolidation as of that date. The necessary adjustments for significant transactions that occur during the period from March 1 to March 31 are made in the preparation of the consolidated financial statements.

(2) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits that may be withdrawn on demand and time deposits that can be easily withdrawn and bear no risk of value fluctuation.

(3) Marketable securities and Investment securities

Securities other than investments in non-consolidated subsidiaries and affiliates are classified into two different categories, held-to- maturity and other securities. The Company holds no trading securities.

Held-to-maturity securities are stated at amortized cost. Marketable securities classified as other securities are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate component of accumulated other comprehensive income at a net-of-tax amount. Non-marketable securities classified as other securities are stated at cost. Cost of securities sold is determined by the moving-average method.

(4) Inventories

Costs on uncompleted construction contracts and real estate for sale are stated at cost determined by the individual cost method. Raw materials are stated at cost determined by the average method. Supplies are stated at cost determined by the individual cost method. The book value of inventories on the balance sheets is written down based on the fall in profitability. Real estate for lease included in inventories is depreciated in a similar manner as property and equipment.

Some consolidated subsidiaries have incorporated the interest paid on funds used for the real-estate development business into the costs of real estate for sale.

(5) Property and equipment

Depreciation of property and equipment is principally computed by declining-balance method while the straight-line method is applied to buildings (excluding structures attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016. Certain consolidated subsidiaries depreciate property and equipment by the straight-line method.

(6) Intangible assets

Intangible assets are amortized by the straight-line method over the period estimated to be effective at the time of occurrence, except for land leasehold rights, which are not amortized.

Computer software for internal use is amortized by the straight-line method over the estimated useful period of five years.

(7) Leases

Depreciation of leased assets capitalized in finance lease transactions is computed by the straight line method over the lease term, as useful life, with assuming no residual value, unless a guaranteed residual value is provided under corresponding lease contract.

(8) Allowance for doubtful accounts

Allowance for doubtful accounts is provided for the estimated future loss on bad debt. It is estimated using the Company's experience of the loss ratio and a specific estimate of known doubtful accounts.

(9) Warranty
Warranty is provided for the estimated repair expense owed by the Company in the event of defects found in the completed constructions after handover.

(10) Allowance for losses on construction contracts
In order to prepare for future losses from construction orders, estimated amounts of losses have been recorded for construction projects prior to delivery as of the end of fiscal year for those that are expected to generate losses and losses can be evaluated rationally.

(11) Accrued bonuses for employees
Accrued bonuses for employees are provided for the estimated amount of bonuses to be paid to employees for the services rendered by the balance sheet date.

(12) Accrued bonuses for directors
Accrued bonuses for directors are provided for the estimated amount of bonuses to be paid to directors for the services rendered by the balance sheet date.

(13) Provision for loss on litigation
Provision for loss on litigation is provided for the possible estimated loss arising from litigation.

(14) Provision for employee stock ownership plan
In order to prepare for the provision of the Company's shares to its employees, estimated amounts of benefits earned in the fiscal year ended March 31, 2018 have been recorded.

(15) Provision for board benefit trust
In order to prepare for the provision of the Company's shares to its directors and officers, estimated amounts of benefits earned in the fiscal year ended March 31, 2018 have been recorded.

(16) Retirement benefits
The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Prior service costs are amortized by the straight-line method over the average remaining service period of the employees (13-16 years) at the time of occurrence.

Actuarial differences are amortized from the next year in which the difference arises by the straight-line method over the average remaining service period of the employees (5-22 years).

Some consolidated subsidiaries calculate liability for retirement benefits and retirement benefit expense by adopting the simplified method, which assumes their retirement benefit obligation to be equal to the benefits payable as if all eligible employees voluntarily terminated their employment at fiscal year end.

(17) Foreign currency translation
Receivables and payables denominated in foreign currencies are translated into Japanese yen at the foreign exchange rates prevailing at the respective balance sheet dates and a net exchange loss/gain is included in net income. Furthermore, the assets/liabilities and earnings/expenses of overseas consolidated subsidiaries are translated at the foreign exchange rates prevailing at the respective balance sheet dates and the resulting translation adjustments are reported as "Translation adjustments" in net assets.

(18) Hedge accounting
The Company and its consolidated subsidiaries use interest rate swap contracts to hedge interest rate fluctuation risk on long-term debt with variable interest rates. Certain interest rate swap contracts which meet certain criteria as qualified hedges are not measured at fair value. The differences between paid and received amounts under such swap agreements are recognized in interest expenses as incurred.

The assessment of hedge effectiveness is omitted when the notional amounts, interest rates and contract periods of the hedging instruments and the hedged items are the same.

(19) Amortization of goodwill
Goodwill is amortized on a straight-line basis over the period economic benefits are expected. However, immaterial amounts of goodwill are charged to income as incurred.

(20) Recognition on sales and costs of construction contracts
The Company and its consolidated subsidiaries recognize revenues and costs on construction contracts on a percentage-of-completion basis for construction projects, and on a completed-contract basis for other construction contracts.

(21) Income taxes
Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between financial reporting and the tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse. The Company files tax returns under the consolidated corporate-tax system.

(22) Consumption taxes
Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. For some consolidated companies that fall under the category of tax-exempt enterprise, however, the tax-inclusive system is applied for such transactions.

(23) Deferred assets
Issuance costs for straight bonds are charged to income.

(24) Accounting standard issued but not yet effective
- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, issued on March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, issued on March 30, 2018)

(1) Overview
The standard is a comprehensive accounting standard for revenue recognition, in which revenue is recognized through the following five 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

(2) Planned date of application
The application date of the standard is currently under review.

(3) Impact of the application of the accounting standard, etc.
The amount of the impact is under review as of the date of preparing the consolidated financial statements.

3. Supplemental Information
(Changes in presentation)
(Notes to consolidated statement of cash flows)
Loss on sale of investment securities in "Cash flows from operating activities," which had been presented separately for the previous fiscal year, has been included in "Other" for the current fiscal year due to a decrease in its quantitative materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been restated.

As a result, the ¥(102) million presented as "Loss on sale of investment securities" in "Cash flows from operating activities" of the consolidated statement of cash flows for the previous fiscal year has been reclassified as ¥(1,518) million in "Other."

(Additional information)
The Company's 100th Ordinary General Meeting of Shareholders held on June 29, 2017 resolved the adoption of the Board Benefit Trust (the "BBT Scheme"), a new performance-based stock compensation scheme, for Directors (excluding Outside Directors), Executive Vice Presidents, Executive Operating Officers and Senior Operating Officers of the Company, and the presidents, etc. of its Group companies (the "Group Officers").

Moreover, the Company resolved at a meeting of its Board of Directors held on May 12, 2017 to adopt the Stock-Granting Employee Stock Ownership Plan (the "ESOP Scheme") for key employees of the Company and its Group companies (the "Group Key Employees").

1. BBT Scheme
(1) Outline of the transaction
The BBT Scheme is designed to further clarify the linkage between remuneration for Group Officers and the Company's performance as well as its stock value, and to allow Group Officers to not only enjoy the advantages of higher stock prices but also share the risk of a drop in the share price with the shareholders. By doing so, the BBT Scheme intends for Group Officers to have a stronger mindset for contributing to the Company's better performance and increased corporate value over the medium to long term.

The BBT Scheme is a scheme in which the Company's shares and the amount of money equivalent to the market price of the Company's shares are provided to Group Officers, as of the date of their retirement from office as a rule, through a trust established under the BBT Scheme (the "BBT Trust"), in accordance with the "officer stock benefit rules" set forth by the Company. The benefits of the Company's shares shall be acquired by the BBT Trust using the money contributed by the Company as the funds.

(2) Residual shares of the Company held by the BBT Trust
The residual shares of the Company held by the BBT Trust were appropriated as treasury stock in net assets at their book value recorded by the Trust (excluding the amount of the ancillary expenses). The book value of the said treasury stock was ¥796 million at the end of the current fiscal year, with the number of shares standing at 592,100 shares.

2. ESOP Scheme
(1) Outline of the transaction
The ESOP Scheme is designed to further reinforce the linkage between the treatment of Group Key Employees and the Company's performance as well as its stock value, so that they will share the economic effects with the shareholders. By doing so, the ESOP Scheme intends for Group Key Employees to become more willing and motivated to work for a higher stock price and better performance of the Haseko Group.

The ESOP Scheme is a scheme in which the Company's shares and the amount of money equivalent to the market price of the Company's shares are provided to Group Key Employees, as of the date of their retirement from the Haseko Group as a rule, through a trust established under the ESOP Scheme (the "ESOP Trust"), in accordance with the stock benefit rules set forth by the Company. The benefits of the Company's shares shall be acquired by the ESOP Trust using the money contributed by the Company as the funds.

(2) Residual shares of the Company held by the ESOP Trust
The residual shares of the Company held by the ESOP Trust were appropriated as treasury stock in net assets at their book value recorded by the Trust (excluding the amount of the ancillary expenses). The book value of the said treasury stock was ¥3,693 million at the end of the current fiscal year, with the number of shares standing at 2,649,900 shares.

(Matured notes and electronically recorded obligations)
Notes that mature at the end of the fiscal year are settled on the clearance dates. The following notes remained outstanding at the end of the fiscal year as the maturity date fell on a business holiday for financial institutions.

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Notes receivable	¥–	**¥ 30**	**$ 282**
Notes payable	–	**501**	**4,716**
Electronically recorded obligations	–	**1,820**	**17,131**

4. U.S. Dollar Amounts
The U.S. dollar amounts are included solely for convenience of readers outside Japan, at the prevailing exchange rate on March 31, 2018, which was ¥106.24=U.S.$1. The above translation should not be construed as a representation that yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

5. Financial Instruments
Overview
(1) Policy for financial instruments
The Company and its consolidated subsidiaries manage surplus funds only through deposits and procure funds through issuance of straight bond and borrowings from financial institutions. The Company and its consolidated subsidiaries use derivative instruments in order to hedge against interest rate fluctuations and do not enter into derivative transactions for trading or speculative purposes, in accordance with internal policy.

(2) Nature and extent of risks arising from financial instruments

Notes and accounts receivable, trade, which are trade receivables of the Company and its consolidated subsidiaries, are exposed to credit risks of customers. Marketable securities are the negotiable deposits which can easily be converted to cash and are subject to little risk of change in value and have high liquidity. As for investment securities, which are primarily stocks of companies with which the Company has business relationships, listed securities are exposed to market risks, and non-listed securities are exposed to risks of fluctuations in the financial conditions of the issuers. In addition, the Company provides loans to its subsidiaries and affiliates.

Notes and accounts payable and electronically recorded obligations, which are trade payables, are mostly due within a year. Straight bonds, borrowings and debt are means of fund procurement primarily in connection with business activities, and the Company uses derivative instruments (interest rate swap transactions) for a certain portion of these liabilities as hedging instruments to mitigate interest rate fluctuation risks and to fix its interest payments. With regard to the method of evaluation of hedge effectiveness, the Company omitted the evaluation of the effectiveness as the requirements for the special treatment of interest-rate swaps are satisfied. In addition, financial covenants have been applied to major borrowings and debt. Lease obligations relating to finance leases are primarily used for capital investment.

(3) Risk management for financial instruments

Management of credit risks (risks associated with business partners' default etc.)

With regard to trade receivables, in accordance with its internal rules, the Company checks the creditworthiness of its business partners, manages the balance of accounts receivable and monitors the status of any delay in collection, and works to obtain collateral when it is necessary to protect accounts receivable, in an endeavor to identify and mitigate risks on collections. Credit risk is also managed by its consolidated subsidiaries in accordance with its internal rules. Loans receivable are managed by the Company by conducting credit investigations on a regular basis in accordance with its internal provisions and working to obtain collateral, if necessary. When the Company conducts derivative transactions, it deals exclusively with Japanese financial institutions that have high creditworthiness.

Management of market risks (interest rate fluctuation risks, etc.)

With regard to investment securities, the Company determines their fair values and evaluates the financial position of the issuers regularly. For derivative transactions, the Company operates a system that separates execution and management functions based on the internal rules that stipulate policies, usage/and the range of derivatives, and so forth. Under the system, the balance of derivative transactions and the gains or loss from valuation are regularly reported to the director in charge of finance. Furthermore, derivative transactions by the Company and its consolidated subsidiaries are conducted, in principle, as a means to hedge risks, and should work to reduce market risks that might arise between the targeted assets and the liabilities. As such, the Company believes that market risks are fairly limited.

Management of liquidity risks (risks that the Company may not be able to meet its obligation on scheduled due dates) associated with funds procurement

The Company endeavors to secure liquidity as the finance division prepares funding plans appropriately based on reports from each division and other information and implements fund procurement by utilizing commitment lines in coordination with the scheduled due dates. In addition, the Company confirms the funding status of its consolidated subsidiaries to appropriately manage the funds of the Company and its consolidated subsidiaries as a whole.

(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value. In addition, the notional amounts of derivatives in Note 16. Derivative Transactions are not necessarily indicative of the actual market risk involved in derivative transactions.

Fair values of financial instruments

The carrying value of financial instruments on the consolidated balance sheets as of March 31, 2017 and 2018, and estimated fair value ware shown in the following tables. The following tables do not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2 below).

	Millions of yen		
	2017		
	Carrying value	Fair value	Difference
Cash and bank deposits	¥201,269	¥201,269	¥ –
Notes and account receivable, trade	117,607	117,755	148
Securities	3,854	3,854	–
Investment securities	8,851	8,862	11
Long-term loans receivable	2,844		
Allowance for doubtful accounts	(25)		
Sub-total	2,819	2,982	163
Total	¥334,400	¥334,722	¥322
Notes and accounts payable	81,405	81,404	(1)
Electronically recorded obligations	39,598	39,598	–
Short-term borrowings	10,000	10,000	–
Current portion of long-term debt	25,771	25,805	34
Income taxes payable	16,755	16,755	–
Straight bonds	20,000	20,086	86
Long-term debt	77,493	77,425	(68)
Lease obligations	8,587	8,639	52
Total	¥279,609	¥279,712	¥103
Derivatives	¥ –	¥ –	¥ –

	Millions of yen		
	2018		
	Carrying value	Fair value	Difference
Cash and bank deposits	**¥208,055**	**¥208,055**	**¥ –**
Notes and account receivable, trade	**110,613**	**110,717**	**104**
Securities	**3,840**	**3,840**	**–**
Investment securities	**13,448**	**13,456**	**8**
Long-term loans receivable	**2,822**		
Allowance for doubtful accounts	**(24)**		
Sub-total	**2,798**	**2,954**	**156**
Total	**¥338,754**	**¥339,021**	**¥267**
Notes and accounts payable	**86,658**	**86,657**	**(1)**
Electronically recorded obligations	**49,343**	**49,343**	**–**
Short-term borrowings	**10,000**	**10,000**	**–**
Current portion of long-term debt	**26,471**	**26,487**	**16**
Income taxes payable	**20,605**	**20,605**	**–**
Straight bonds	**20,000**	**20,038**	**38**
Long-term debt	**60,194**	**60,577**	**383**
Lease obligations	**8,777**	**8,851**	**74**
Total	**¥282,048**	**¥282,558**	**¥510**
Derivatives	**¥ –**	**¥ –**	**¥ –**

	Thousands of U.S. dollars		
	2018		
	Carrying value	Fair value	Difference
Cash and bank deposits	**$1,958,349**	**$1,958,349**	**$ –**
Notes and account receivable, trade	**1,041,162**	**1,042,140**	**978**
Securities	**36,145**	**36,145**	**–**
Investment securities	**126,580**	**126,657**	**77**
Long-term loans receivable	**26,563**		
Allowance for doubtful accounts	**(226)**		
Sub-total	**26,337**	**27,805**	**1,468**
Total	**$3,188,573**	**$3,191,096**	**$2,523**
Notes and accounts payable	**815,681**	**815,672**	**(9)**
Electronically recorded obligations	**464,448**	**464,448**	**–**
Short-term borrowings	**94,127**	**94,127**	**–**
Current portion of long-term debt	**249,162**	**249,313**	**151**
Income taxes payable	**193,948**	**193,948**	**–**
Straight bonds	**188,253**	**188,611**	**358**
Long-term debt	**566,585**	**570,190**	**3,605**
Lease obligations	**82,615**	**83,310**	**695**
Total	**$2,654,819**	**$2,659,619**	**$4,800**
Derivatives	**$ –**	**$ –**	**$ –**

Notes:
1) Methods to determine the fair value of financial instruments and other matters related to investment securities and derivative transactions

Cash and bank deposits
Since these items are settled in a short period of time, their carrying value approximates fair value.

Notes and accounts receivable, trade
The carrying values of notes and accounts receivable that are settled in the short term are used to determine their fair value, as their fair values approximate their carrying values. With regard to notes and accounts receivable that are settled in the long term, they are classified by period and their fair values are then calculated based on the present values discounted by the interest rates determined taking into account the collection periods and credit risks.

Securities
Since these items are negotiable deposits and settled in a short period of time, their fair value approximates the book value and is thus stated at that book value.

Investment securities
Quoted market prices on the stock exchanges are used to determine the fair values of these instruments.

For information on securities classified by holding purposes, please refer to Note 6. Investment Securities.

Long-term loans receivable
Long-term loans receivable are classified by period, and their fair values are calculated based on the present values discounted by the interest rates determined taking into account credit spreads and appropriate market data such as yields of government bonds.

In addition, fair values of doubtful accounts are estimated based on collectable amounts.

Notes and accounts payable, Electronically recorded obligations
The carrying values of notes and accounts payable and electronically recorded obligations that are settled in the short term are used to determine their fair values, as the fair values approximate the carrying values. With regard to notes and accounts payable that are settled in the long term, they are classified by period and their fair values are calculated based on the present values discounted by the interest rates determined taking into account the payment periods and credit risks.

Short-term borrowings and income taxes payable
As these are settled in the short term, their fair values approximate carrying values.

Straight bonds
Fair value is calculated based on available market value. If a market value is not available, fair value is calculated based on the present value of the total amount of principal and interest discounted by an interest rate reflecting the remaining maturity and credit risk of the straight bonds.

Long-term debt including current portion
Fair values are calculated based on the present value of the total amount of principal and interest discounted by the interest rates to be applied if similar new borrowings were entered into.

The fair values of long-term debt with floating interest rates hedged by interest rate swap transactions subject to the special treatment are calculated based on the present value of the total amount of principal and interest, accounted for together with the interest rate swap transactions, discounted by the interest rates to be applied if similar new borrowings were entered into.

Lease obligations
Fair value of lease obligations is calculated based on the present value of, the total amount of principal and interest on the lease obligations discounted by the interest rates to be applied if similar new lease transactions were entered into.

Derivatives
Please refer to Note 16. Derivative Transactions.

2) Financial instruments whose fair values are extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Equity securities of affiliates	¥3,851	**¥3,605**	**$33,933**
Unlisted securities	820	**1,099**	**10,345**
Preferred subscription certificates	0	**0**	**0**
Others	2	**2**	**19**

The above instruments have not been included in the preceding table, “Fair values of financial instruments, Investment securities,” as there are no quoted market prices available and it is extremely difficult to determine their fair values.

3) Redemption schedule for monetary receivables and securities with maturity dates at March 31, 2017 and 2018

	Millions of yen				
	2017				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
Cash and bank deposits	¥201,269	¥ –	¥ –	¥ –	¥201,269
Notes and accounts receivable, trade	107,762	9,150	695	–	117,607
Securities:					
Negotiable certificate of deposits	3,854				3,854
Investment securities:					
Other securities with maturity dates					
Japanese government bonds, etc.	148	329	–	–	477
Long-term loans receivable	732	698	1,231	183	2,844
Total	¥313,765	¥10,177	¥1,926	¥183	¥326,051

	Millions of yen				
	2018				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
Cash and bank deposits	**¥208,055**	**¥ –**	**¥ –**	**¥ –**	**¥208,055**
Notes and accounts receivable, trade	**102,897**	**7,716**	**0**	**–**	**110,613**
Securities:					
Negotiable certificate of deposits	**3,840**				**3,840**
Investment securities:					
Other securities with maturity dates					
Japanese government bonds, etc.	**22**	**307**	**–**	**–**	**329**
Long-term loans receivable	**796**	**670**	**1,110**	**246**	**2,822**
Total	**¥315,610**	**¥8,693**	**¥1,110**	**¥246**	**¥325,659**

	Thousands of U.S. dollars				
	2018				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
Cash and bank deposits	**$1,958,349**	**$ –**	**$ –**	**$ –**	**$1,958,349**
Notes and accounts receivable, trade	**968,534**	**72,628**	**–**	**–**	**1,041,162**
Securities:					
Negotiable certificate of deposits	**36,145**	**–**	**–**	**–**	**36,145**
Investment securities:					
Other securities with maturity dates					
Japanese government bonds, etc.	**207**	**2,890**	**–**	**–**	**3,097**
Long-term loans receivable	**7,492**	**6,307**	**10,448**	**2,316**	**26,563**
Total	**$2,970,727**	**$81,825**	**$10,448**	**$2,316**	**$3,065,316**

4) Repayment schedule for short-term borrowings, straight bonds, long-term debt, and lease obligations at March 31, 2017 and 2018

	Millions of yen				Millions of yen			
	2017				**2018**			
	Short-term borrowings	Straight bonds	Long-term debt	Lease obligations	Short-term borrowings	Straight bonds	Long-term debt	Lease obligations
Due within 1 year	¥10,000	¥ –	¥25,771	¥ 928	**¥10,000**	**¥ –**	**¥26,471**	**¥ 963**
Due after 1 year through 2 years	–	–	27,176	860	**–**	**10,000**	**17,551**	**910**
Due after 2 years through 3 years	–	10,000	17,674	796	**–**	**10,000**	**4,171**	**834**
Due after 3 years through 4 years	–	10,000	4,171	725	**–**	**–**	**5,971**	**770**
Due after 4 years through 5 years	–	–	5,971	662	**–**	**–**	**22,501**	**767**
Due after 5 years	–	–	22,501	4,616	**–**	**–**	**10,000**	**4,533**

	Thousands of U.S. dollars			
	2018			
	Short-term borrowings	Straight bonds	Long-term debt	Lease obligations
Due within 1 year	**$94,127**	**$ –**	**$249,162**	**$ 9,064**
Due after 1 year through 2 years	**–**	**94,127**	**165,201**	**8,566**
Due after 2 years through 3 years	**–**	**94,126**	**39,260**	**7,850**
Due after 3 years through 4 years	**–**	**–**	**56,203**	**7,248**
Due after 4 years through 5 years	**–**	**–**	**211,794**	**7,220**
Due after 5 years	**–**	**–**	**94,127**	**42,667**

5) Investments in non-consolidated subsidiaries and affiliates are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Investment securities	¥2,555	**¥2,309**	**$21,734**
Other securities	1,296	**1,296**	**12,199**

6. Marketable Securities and Investment Securities

(1) Marketable securities classified as held-to-maturity debt securities as of March 31, 2017 and 2018 consisted of the following:

	Millions of yen					
	2017			**2018**		
	Carrying value	Fair Vale	Unrealized gain (loss)	Carrying value	Fair Vale	Unrealized gain (loss)
(Securities whose fair value exceeds their carrying value)						
Equity securities	¥ –	¥ –	¥ –	**¥ –**	**¥ –**	**¥–**
Japanese government bonds	417	429	12	**322**	**329**	**7**
Sub-total	¥417	¥429	¥12	**¥322**	**¥329**	**¥7**
(Securities whose fair value does not exceed their carrying value)						
Equity securities	¥ –	¥ –	¥ –	**¥ –**	**¥ –**	**¥–**
Japanese government bonds	–	–	–	**–**	**–**	**–**
Sub-total	¥ –	¥ –	¥ –	**¥ –**	**¥ –**	**¥–**
Total	¥417	¥429	¥12	**¥322**	**¥329**	**¥7**

	Thousands of U.S. dollars		
	2018		
	Carrying value	Fair Vale	Unrealized gain (loss)
(Securities whose fair value exceeds their carrying value)			
Equity securities	**$ –**	**$ –**	**$ –**
Japanese government bonds	**3,031**	**3,097**	**66**
Sub-total	**$3,031**	**$3,097**	**$66**
(Securities whose fair value does not exceed their carrying value)			
Equity securities	**$ –**	**$ –**	**$ –**
Japanese government bonds	**–**	**–**	**–**
Sub-total	**$ –**	**$ –**	**$ –**
Total	**$3,031**	**$3,097**	**$66**

(2) Other securities whose fair value is available as of March 31, 2017 and 2018 consisted of the following:

	Millions of yen					
	2017			**2018**		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
(Securities whose carrying value exceeds their acquisition cost)						
Equity securities	¥8,294	¥6,258	¥2,036	**¥12,056**	**¥6,258**	**¥5,798**
Japanese government bonds	50	50	0	**–**	**–**	**–**
Sub-total	¥8,344	¥6,308	¥2,036	**¥12,056**	**¥6,258**	**¥5,798**
(Securities whose carrying value does not exceeds their acquisition cost)						
Equity securities	¥ 90	¥ 124	¥ (34)	**¥ 1,070**	**¥1,127**	**¥ (57)**
Japanese government bonds	–	–	–	**–**	**–**	**–**
Sub-total	¥ 90	¥ 124	¥ (34)	**¥ 1,070**	**¥1,127**	**¥ (57)**
Total	¥8,434	¥6,432	¥2,002	**¥13,126**	**¥7,385**	**¥5,741**

	Thousands of U.S. dollars		
	2018		
	Carrying value	Acquisition cost	Unrealized gain (loss)
(Securities whose carrying value exceeds their acquisition cost)			
Equity securities	**$113,479**	**$58,904**	**$54,575**
Japanese government bonds	**–**	**–**	**–**
Sub-total	**$113,479**	**$58,904**	**$54,575**
(Securities whose carrying value does not exceeds their acquisition cost)			
Equity securities	**$ 10,071**	**$10,608**	**$ (537)**
Japanese government bonds	**–**	**–**	**–**
Sub-total	**$ 10,071**	**$10,608**	**$ (537)**
Total	**$123,550**	**$69,512**	**$54,038**

(3) Other securities sold for the year ended March 31, 2018 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2018	**2018**
Equity securities:		
Proceeds from sales	**¥4**	**$38**
Gain on sales	**4**	**38**
Loss on sales	**–**	**–**

Note: There were no sales transactions of other securities for the year ended March 31, 2017.

7. Inventories

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

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Real estate for sale	¥ 51,684	**¥ 71,651**	**$674,426**
Costs and advances for real estate operations	53,188	**67,700**	**637,236**
Real estate for development projects	24,031	**23,395**	**220,209**
	¥128,903	**¥162,746**	**$1,531,871**

8. Property and Equipment and Intangible Assets

(1) Property and equipment as of March 31, 2017 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Buildings and structures	¥ 49,390	**¥ 62,687**	**$ 590,051**
Machinery, vehicles, equipment and furniture	6,117	**7,416**	**69,804**
Land	64,988	**64,664**	**608,659**
Leased assets	9,328	**10,169**	**95,717**
Construction in progress	3,874	**4,945**	**46,546**
Sub-total	133,697	**149,881**	**1,410,777**
Accumulated depreciation	(23,305)	**(24,756)**	**(233,019)**
	¥110,392	**¥125,125**	**$1,177,758**

(2) Intangible assets as of March 31, 2017 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Land leasehold rights	¥1,872	**¥1,871**	**$17,611**
Goodwill	4,209	**3,545**	**33,368**
Other	1,250	**1,799**	**16,933**
	¥7,331	**¥7,215**	**$67,912**

(3) Net gain (loss) on disposal or sales of property and equipment and intangible assets for the years ended March 31, 2017 and 2018 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Buildings and structures	¥ 429	**¥411**	**$3,869**
Machinery, vehicles, equipment and furniture	46	**(9)**	**(85)**
Land	636	**3,022**	**28,445**
Leased assets	(3)	**(3)**	**(28)**
Other	(3)	**–**	**–**
	¥1,105	**¥3,421**	**$32,201**

(4) Impairment loss on fixed assets
The Company and its consolidated domestic subsidiaries recognized impairment losses on the following fixed assets for the years ended March 31, 2017 and 2018:

2017

Use	Type	Location	No.of Cases
Real estate for construction-related business	Land and buildings	Minato-ku, Tokyo, etc.	2
Real estate for service-related business	Land and buildings	Chuo-ku, Osaka, etc.	22
Asset for service-related business	Leased assets	Inuyama-shi Aichi, etc.	16
Asset for service-related business	Goodwill	–	2

2018

Use	Type	Location	No.of Cases
Real estate for service-related business	Land and buildings	Urawa-ku, Saitama, etc.	**8**
Asset for service - related business	Equipment and furniture	Tsuzuki-ku, Yokohama, etc.	**4**

The Company and its consolidated domestic subsidiaries recognized impairment loss on certain real estate for construction business, service-related business, and assets for service-related business, which are grouped separately for the assessment of impairment.

(2017)
The planned dispositions, a decrease in excess earning power from what was assumed upon acquiring their shares, changes of use, lowered economic performance and other factors in the year ended March 31, 2017 triggered the recognition of impairment, and the carrying values of the those assets have been written down to their recoverable amounts, resulting in the impairment losses on fixed assets of ¥11,778 million for the year ended March 31, 2017, which was presented as “Special Losses.” on the consolidated statement of income.

(2018)
The lowered economic performance and the planned retirements in the year ended March 31, 2018 triggered the recognition of impairment, and the carrying values of the those assets have been written down to their recoverable amounts, resulting in the impairment losses on fixed assets of ¥197 million ($1,854 thousand) for the year ended March 31, 2018, which was presented as “Special Losses.” on the consolidated statement of income.

The details of impairment losses on fixed assets were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Buildings and structures	¥ 412	**¥156**	**$1,468**
Equipment and furniture	27	**33**	**311**
Land	8,353	**5**	**47**
Land leasehold rights	–	**–**	**–**
Leased assets	50	**2**	**19**
Goodwill	2,935	**–**	**–**
Intangible assets	1	**1**	**9**
	¥11,778	**¥197**	**$1,854**

(2017)
The recoverable amount was the higher of the net selling price or value in use. The net selling price for real estate is the comparison approach value for other assets. Value in use is the sum of the net future cash flows discounted at a rate of 5.0%. The net selling price for goodwill is the appraisal value less the cost of disposal.

(2018)
The recoverable amount is measured at the value in use, which was zero as future cash flows are expected to be negative. Moreover, the discount rate is omitted as future cash flows before discounting are expected to be negative.

(5) Rental Properties
The Company and some of its consolidated subsidiaries own residential properties for lease, office buildings for lease (including land), commercial facilities for lease, etc. mainly in the Tokyo metropolitan area and the Kinki area. Income/expenses of the leasing business related to the rental properties for the years ended March 31, 2017 and 2018 were ¥2,013 million and ¥2,224 million ($20,934 thousand) and gain on sales (recorded as “Special Income”) were ¥1,040 million and ¥3,527 million ($33,198 thousand), respectively. For the year ended March 2017, ¥243 million in impairment loss was recorded as special losses.

Income from the leasing business is recorded as leasing and management revenue and expenses for the leasing business are recorded as leasing and management expenses.

Changes in the recorded amount of rental properties, etc. in the consolidated balance sheets during the year and fair value as of the end of the fiscal year are as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Book value:			
Balance at the beginning of the year	¥56,218	**¥65,344**	**$615,060**
Increase/decrease	9,126	**1,467**	**13,809**
Balance at the end of the year	65,344	**66,811**	**628,869**
Fair value	¥70,606	**¥72,244**	**$680,008**

Notes:

1) The rental properties are recorded on the consolidated balance sheet at their acquisition costs net of accumulated depreciation and impairment losses.
2) Of the amount of increase (decrease) for the year ended March 2017, the amount of increase was primarily attributable to acquisition of real estate (¥12,116 million) and transfer to rental properties through changes of holding purposes (¥3,494 million), and the amount of decrease was primarily attributable to sale of real estate (¥4,591 million) and depreciation (¥582 million).
   Of the amount of increase (decrease) for the year ended March 2018, the amount of increase was primarily attributable to acquisition of real estate (¥14,216 million, $133,810 thousand), the amount of decrease was primarily attributable to sale of real estate (¥12,039 million, $113,319 thousand) and depreciation (¥564 million, $5,309 thousand).
3) The fair value at the end of the current fiscal year is the appraisal value taken from the real estate appraisal reports for major properties; and the calculations by the Company in accordance with the "Real Estate Appraisal Standards" for others. However, for certain properties the value at the time of acquisition or value obtained using a general fair value calculation formula is stated as the fair value at the end of the current fiscal year when there has been no significant fluctuation in the index which is deemed to be a kind of appraised value or appropriately reflect market value since they were acquired or most recently appraised.

9. Short-term Borrowings, Long-term Debt, and Lease Obligations

(1) The following is a summary of the interest bearing debt as of March 31, 2017 and 2018:

	Average interest rate	Millions of yen		Thousands of U.S. dollars
		2017	**2018**	**2018**
Short-term borrowings	0.37%	¥10,000	**¥ 10,000**	**$ 94,127**
Current portion of long-term debt	0.65%	25,771	**26,471**	**249,162**
Current portion of lease obligations	2.68%	928	**962**	**9,055**
Straight bond due Nov. 5, 2019	0.44%	10,000	**10,000**	**94,127**
Straight bond due Jul. 22, 2020	0.41%	10,000	**10,000**	**94,126**
Long-term debt due from 2018 to 2023	0.89%	77,493	**60,194**	**566,585**
Lease obligations due from 2018 to 2027	2.74%	7,659	**7,814**	**73,550**
Total		¥141,851	**¥125,441**	**$1,180,732**

Note: The weighted average interest rate for the end-of-year balance of outstanding debt is shown as the "average interest rate."
The weighted average interest rate for the end-of-year balance of outstanding lease obligations, whose interest payments are calculated based on the effective interest method, is shown as the "Average interest rate" of lease obligation.

(2) The annual maturities of straight bonds, long-term debt and lease obligations (excluding the current portion) as of March 31, 2018 were as follows:

Year ending March, 31	Millions of yen				Thousands of U.S. dollars
	Straight bonds	Long-term debt	Lease obligations	Total	Total
2020	**¥10,000**	**¥17,551**	**¥910**	**¥28,461**	**$267,893**
2021	**10,000**	**4,171**	**834**	**15,005**	**141,237**
2022	**–**	**5,971**	**770**	**6,741**	**63,451**
2023	**–**	**22,501**	**767**	**23,268**	**219,014**
2024 and thereafter	**–**	**10,000**	**4,533**	**14,533**	**136,794**
Total	**¥20,000**	**¥60,194**	**¥7,814**	**¥88,008**	**$828,389**

(3) The Company has committed lines of credit available for immediate and stable borrowings with certain five financial institutions as of March 31, 2017 and 2018. The lines of credit and unused lines of credit as of March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Line of credit	¥63,000	**¥63,000**	**$592,997**
Amount utilized	–	**–**	**–**
Unused line of credit	¥63,000	**¥63,000**	**$592,997**

(4) One consolidated subsidiary has concluded an overdraft agreement with a financial institution in order to secure stable and flexible procurement of operating funds. The balance of the unexecuted portion as of March 31, 2017 and 2018 based on this agreement were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Overdraft limit	¥1,300	**¥1,300**	**$12,236**
Amount utilized	–	**–**	**–**
Amount unused	¥1,300	**¥1,300**	**$12,236**

10. Collateral

(1) Assets provided as collateral as of March 31, 2017 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Cash and bank deposits	¥ 4,050	**¥552**	**$5,196**
Securities	350	**–**	**–**
Real estate for development projects	24,032	**–**	**–**
Other current assets	76	**–**	**–**
Buildings and structures	528	**–**	**–**
Machinery, vehicles, equipment and furniture	17	**–**	**–**
Land	1,845	**–**	**–**
Intangible assets	1	**–**	**–**
Investment securities	18	**–**	**–**
	¥30,917	**¥552**	**$5,196**

Secured liabilities as of March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Notes and accounts payable	¥ –	¥350	$3,294
Long-term debt	706	–	–
Guaranteed obligation	409	354	3,333
	¥1,115	¥704	$6,627

(2) The following assets have been provided as collateral for borrowings by HC Katsushimacho Jutaku Inc., related to PFI projects.

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Notes and accounts receivable, trade	¥4,147	¥3,457	$32,540
Buildings and structures	65	61	574
Other current assets	31	26	244
	¥4,243	¥3,544	$33,358

Secured liabilities as of March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Current portion of long-term debt	¥ 636	¥ 636	$ 5,986
Long-term debt	3,178	2,543	23,937
	¥3,814	¥3,179	$29,923

In addition to the above, the following assets have been provided as collateral, all of which have been eliminated on the consolidated balance sheet:

(2017)
Shares of HC Katsushimacho Jutaku Inc. (¥9 million) owned by Haseko Corporation and Haseko Community Inc.
Loans receivable (¥157 million) lent by Haseko Corporation to HC Katsushimacho Jutaku Inc.

(2018)
Shares of HC Katsushimacho Jutaku Inc. (¥9 million, $85 thousand) owned by Haseko Corporation and Haseko Community Inc.
Loans receivable (¥157 million, $1,478 thousand) lent by Haseko Corporation to HC Katsushimacho Jutaku Inc.

11. Contingent Liabilities

The Company was contingently liable for guarantees on bank loans and other guarantees as of March 31, 2017 and 2018 as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Customers using housing loans and other loans to purchase real estate	¥55,228	¥57,577	$541,952

12. Lease Transactions

(1) Finance lease transactions

(a) Details of leased assets
Leased assets are mainly high voltage power collective receiving facilities in the “Service-Related Business.”

(b) Depreciation method of leased assets
Please refer to Note 2 (7) Summary of Significant Accounting Policies relating depreciations of leased assets.

(2) Operating lease transactions

(As lessee)

Outstanding future minimum lease payments under noncancelable operating leases as of March 31, 2017 and 2018 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Within one year	¥ 2,480	¥ 1,931	$ 18,176
Over one year	10,423	13,294	125,132
Total	¥12,903	¥15,225	$143,308

(As lessor)

Outstanding future minimum lease income under noncancelable operating leases as of March 31, 2017 and 2018 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Within one year	¥ 652	¥ 652	$ 6,137
Over one year	5,876	11,313	106,485
Total	¥6,528	¥11,965	$112,622

13. Supplementary Profit and Loss Information

(1) Sales from construction contracts calculated according to the percentage-of-completion method were ¥428,494 million and ¥470,280 million ($4,426,581 thousand) for the years ended March 31, 2017 and 2018, respectively.

(2) Allowance for losses on construction contracts included in cost of sales for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Construction contracts	¥13	**¥20**	**$188**
Design and supervision	6	**13**	**122**

(3) Valuation losses on inventories included in cost of sales for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Real estate	¥158	**¥102**	**$960**

(4) Selling, general and administrative expenses for the years ended March 31, 2017 and 2018 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Salaries and allowances	¥21,361	**¥21,389**	**$201,327**
Provision for bonuses for employees	1,717	**3,347**	**31,504**
Provision for bonuses for directors	120	**190**	**1,788**
Provision for employee stock ownership plan	265	**313**	**2,946**
Provision for board benefit trust	78	**91**	**857**
Retirement benefit expenses	762	**651**	**6,128**
Rent	2,908	**3,234**	**30,441**
Depreciation	936	**941**	**8,857**
Amortization	2,832	**663**	**6,241**
Other	22,863	**25,621**	**241,161**
Total	¥53,842	**¥56,440**	**$531,250**

(5) Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Research and development costs	¥1,172	**¥1,343**	**$12,641**

14. Net Assets

(1) Shares issued and treasury stock

Changes in number of shares issued and treasury stock for the year ended March 31, 2017 were as follows:

	Number of shares			
	2016	Increase	Decrease	2017
Shares issued:				
Common stock	300,794,397	–	–	300,794,397
Treasury stock:				
Common stock (Notes 1 and 2)	188,240	3,886	180	191,946

Notes:
1) Increase in treasury stock (common stock) due to the request by shareholders for purchase of shares less than one standard unit.
2) Decrease in treasury stock due to the request by shareholders for sale of shares less than one standard unit.

Changes in number of shares issued and treasury stock for the year ended March 31, 2018 were as follows:

	Number of shares			
	2017	Increase	Decrease	**2018**
Shares issued:				
Common stock	300,794,397	–	–	**300,794,397**
Treasury stock:				
Common stock (Notes 1, 2 and 3)	191,946	3,247,706	20	**3,439,632**

Notes:
1) The number of treasury stock at the beginning of the current fiscal year does not include the Company's shares owned by the Board Benefit Trust (BBT) and the Stock-Granting ESOP held as their trust assets. However, the number of treasury stock at the end of the current fiscal year includes 3,242,000 shares of the Company's shares held by the BBT and the Stock-Granting ESOP as their trust assets.
2) The increase of 3,247,706 shares in the number of treasury stock of the Company's common stock comprises 3,242,000 shares held by the BBT and the Stock-Granting ESOP as their trust assets and 5,706 shares purchased by the Company through request for purchase of shares less than one standard unit.
3) Decrease in treasury stock due to the request by shareholders for sale of shares less than one standard unit.

(2) Dividends

(a) Dividends paid
In the year ended March 31, 2017

Resolution	Type of shares	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual meeting of shareholders on June 24, 2016	Common stock	¥4,509	¥15.00	March 31, 2016	June 27, 2016

In the year ended March 31, 2018

Resolution	Type of shares	Total amount of dividend		Dividend per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
Annual meeting of shareholders on June 29, 2017	Common stock	**¥9,018**	**$84,883**	**¥30.00**	**$0.28**	March 31, 2017	June 30, 2017
Board of Directors on November 10, 2017 (Note)	Common stock	**¥3,006**	**$28,294**	**¥10.00**	**$0.09**	September 30, 2017	December 6, 2017

Note: The total amount of dividends includes ¥32 million ($301 thousand) as dividends to the Company's shares held by the BBT and the Stock-Granting ESOP as their trust assets.

(b) Dividends with the cut-off date in the year ended March 31, 2018 and the effective date in the year ending March 31, 2019

Resolution	Type of shares	Total amount of dividend		Dividend per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
Annual meeting of shareholders on June 28, 2018 (Note)	Common stock	**¥12,024**	**$113,178**	**¥40.00**	**$0.38**	March 31, 2018	June 29, 2018

Note: The total amount of dividends includes ¥130 million ($1,224 thousand) as dividends to the Company's shares held by the BBT and the Stock-Granting ESOP as their trust assets.

15. Cash and Cash Equivalents

(1) A reconciliation between cash and cash equivalents on the consolidated statements of cash flows and the cash and bank deposits on the consolidated balance sheets as of March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Cash and bank deposits	¥201,269	**¥208,055**	**$1,958,349**
Time deposits pledged as collateral	(202)	**(552)**	**(5,196)**
Saving accounts for insurance agency	(449)	**(537)**	**(5,055)**
Negotiable certificates of deposit, which were included in Securities	1,168	**–**	**–**
Restricted deposit	(330)	**(100)**	**(941)**
Cash and cash equivalents	¥201,456	**¥206,866**	**$1,947,157**

(2) Newly recognized assets and liabilities relating to finance lease transactions, which are considered significant non-cash transactions, as of March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Assets	¥1,966	**¥1,314**	**$12,368**
Liabilities	2,084	**1,234**	**11,615**

16. Derivative Transactions

Derivative transactions for which hedge accounting is applied are as follows:

Hedge accounting method	Hedging instrument	Hedged item	As of March 31, 2017 Notional amount	Of which, maturing after one year	Fair value
			(Millions of yen)		
Special treatment of interest rate swaps	Interest rate swap transaction Pay fixed / Receive floating	Long-term debt	¥42,690	¥34,575	(Note)

Hedge accounting method	Hedging instrument	Hedged item	**As of March 31, 2018** Notional amount	Of which, maturing after one year	Fair value
			(Millions of yen)		
Special treatment of interest rate swaps	Interest rate swap transaction Pay fixed / Receive floating	Long-term debt	**¥54,225**	**¥51,010**	(Note)
			(Thousands of U.S. dollars)		
			$510,401	**$480,139**	

Note: The fair value of interest rate swaps accounted for by special treatment is included in the fair value of the applicable long-term debt as such swaps are accounted for together with the hedged long-term debt.

There were no derivative transactions for which hedge accounting was not applied as of March 31, 2017 and 2018.

17. Retirement Benefit Plans

The Company and its consolidated subsidiaries have established a lump-sum retirement allowance plan, funded defined benefit plan, multi-employer pension plan or smaller enterprise retirement allowance plan, and defined contribution pension plans.

Certain consolidated subsidiaries participate in the multi-employer pension plan. When the pension assets held by the multi-employer pension plan corresponding to the subsidiaries' contribution cannot be reliably determined, the accounting treatment applied is the same as that for a defined contribution plan.

Furthermore, Osaka Architect Pension Fund, in which one of the Company's consolidated subsidiaries had participated, dissolved with permission of the Minister of Health, Labour and Welfare on May 31, 2017. In accordance with this, the relevant consolidated subsidiary was transferred to Osaka Architect Corporate Pension Fund, the successor fund newly established on June 1, 2017. No additional expense has been incurred as a result of the dissolution of Osaka Architect Pension Fund.

(1) The changes in the retirement benefit obligation during the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Balance at the beginning of the year	¥49,713	**¥50,710**	**$477,316**
Service cost	2,765	**2,747**	**25,857**
Interest cost	96	**98**	**922**
Actuarial gain or loss	405	**263**	**2,476**
Retirement benefit paid	(2,295)	**(2,293)**	**(21,584)**
Other	26	**–**	**–**
Balance at the end of the year	¥50,710	**¥51,525**	**$484,987**

(2) The changes in plan assets during the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Balance at the beginning of the year	¥46,142	**¥53,859**	**$506,956**
Expected return on plan assets	1,122	**1,313**	**12,359**
Actuarial gain or loss	168	**673**	**6,335**
Contributions by the Company	8,092	**6,030**	**56,758**
Retirement benefits paid	(2,228)	**(2,138)**	**(20,124)**
Other	563	**573**	**5,393**
Balance at the end of the year	¥53,859	**¥60,310**	**$567,677**

(3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2017 and 2018.

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Funded retirement benefit obligation	¥ 49,991	**¥ 50,715**	**$ 477,363**
Plan assets at fair value	(53,859)	**(60,310)**	**(567,677)**
	(3,868)	**(9,595)**	**(90,314)**
Unfunded retirement benefit obligation	720	**810**	**7,624**
Net liability for retirement benefits in the balance sheets	(3,148)	**(8,785)**	**(82,690)**
Liability for retirement benefits	1,016	**921**	**8,669**
Asset for retirement benefits	(4,164)	**(9,706)**	**(91,359)**
Net liability for retirement benefits in the balance sheets	¥ (3,148)	**¥ (8,785)**	**$ (82,690)**

(4) The components of retirement benefit expense for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Service cost	¥ 2,377	**¥2,343**	**$ 22,054**
Interest cost	96	**98**	**922**
Expected return on plan assets	(1,122)	**(1,313)**	**(12,359)**
Amortization of actuarial loss	804	**811**	**7,634**
Amortization of prior service cost	(441)	**(441)**	**(4,151)**
Retirement benefit expense	¥ 1,714	**¥1,498**	**$ 14,100**

Notes:
1) Service cost does not include the amounts contributed by employees with respect to welfare pension fund plans.
2) Retirement benefit expenses for consolidated subsidiaries adopting the simplified method which assumes retirement benefit obligation to be equal to the benefits payable as if all eligible employees voluntarily terminated their employment at fiscal year-end are included in "Service cost."

(5) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Actuarial loss	¥(441)	**¥ (441)**	**$(4,151)**
Prior service cost	566	**1,221**	**11,493**
Total	¥125	**¥ 780**	**$ 7,342**

(6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2017 and 2018 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Unrecognized prior service cost	¥(1,339)	**¥ (897)**	**$(8,443)**
Unrecognized actuarial loss	9,882	**8,660**	**81,514**
Total	¥ 8,543	**¥7,763**	**$73,071**

(7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2017 and 2018 were as follows:

	2017	**2018**
Bonds	47%	**50%**
Stocks	25%	**24%**
Alternative investments (Note)	17%	**16%**
Life insurance general accounts, etc.	11%	**10%**
Total	100%	**100%**

Note: Alternative investments are mainly investments in hedge funds.

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

(8) The assumptions used in accounting for the above plans were as follows:

	2017	**2018**
Discount rates	0.2% - 0.4%	**0.2% - 0.4%**
Expected rates of return on plan assets	2.5%	**2.5%**

(9) Defined Contribution Plan

The required contributions to the defined contribution plans of consolidated subsidiaries for the years ended March 31, 2017 and 2018 were ¥18 million and ¥14 million ($133 thousand), respectively.

(10) Multi-employer pension plan

The required contributions, which were accounted in the same way as the defined contribution plan for the years ended March 31, 2017 and 2018 were ¥41 million and ¥16 million ($147 thousand), respectively. Furthermore, Osaka Architect Pension Fund, in which one of the Company's consolidated subsidiaries had participated, dissolved with permission of the Minister of Health, Labour and Welfare on May 31, 2017. In accordance with this, the relevant consolidated subsidiary was transferred to Osaka Architect Corporate Pension Fund, the successor fund newly established on June 1, 2017. Since the new fund has not completed its first annual financial closing, no description is given in this report as to (1) the latest deposit status under the multi-employer pension fund system, (2) the percentage attributable to the Haseko Group in the annuity consideration under the multi-employer pension fund system, and (3) supplementary explanation.

No additional expense has been incurred as a result of the dissolution of Osaka Architect Pension Fund.

The most recent funded status was as follows:

	Millions of yen	
	2016	2017
Pension assets	¥48,820	¥–
Total of the amount of actuarial obligations under pension funding program and minimum policy reserves	55,219	–
Difference	¥ (6,399)	¥–

The average contribution ratio to total contributions made to all plans for the year ended March 31, 2017 was 3.12%. This ratio does not accord with the actual contribution ratio of the Company group.

The differences of ¥6,399 million as described above was due to prior service cost under pension funding programs (¥10,101 million) and special reserve fund (¥3,702 million).

Prior service costs under this program are amortized using the straight-line method (20 years)

18. Income Taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Deferred tax assets:			
Allowance for doubtful accounts	¥ 258	**¥ 240**	**$ 2,259**
Warranty	1,517	**1,530**	**14,401**
Accrued bonuses for employees	1,490	**1,930**	**18,166**
Liability for retirement benefits	271	**288**	**2,711**
Valuation loss on real estate for sale	3,230	**4,702**	**44,258**
Impairment loss on fixed assets	2,091	**2,340**	**22,026**
Valuation loss on investment securities	3,029	**528**	**4,970**
Revaluation of assets on consolidation	2,881	**2,299**	**21,640**
Tax loss carry forwards	34,675	**21,731**	**204,546**
Other	4,797	**8,334**	**78,445**
Sub-total	54,239	**43,922**	**413,422**
Loss: Valuation allowance	(43,147)	**(30,482)**	**(286,916)**
Total deferred tax assets	11,092	**13,440**	**126,506**
Deferred tax liabilities:			
Unrealized gain on other securities	(377)	**(1,467)**	**(13,808)**
Prepaid pension cost	(1,207)	**(2,979)**	**(28,040)**
Revaluation of assets on consolidation	(1,696)	**(1,585)**	**(14,919)**
Other	(356)	**(719)**	**(6,768)**
Total deferred tax liabilities	(3,636)	**(6,750)**	**(63,535)**
Net deferred tax assets	¥ 7,456	**¥ 6,690**	**$ 62,971**

Notes:
1) Valuation loss on real estate for sale includes ¥44 million and ¥44 million ($414 thousand) for the years ended March 31, 2017 and 2018, respectively, for properties that were reclassified from "Current Assets" to "Property and Equipment" following a change in holding purpose.
2) The net deferred taxes as of March 31, 2017 and 2018 were classified as follows in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Current assets – Deferred tax assets	¥5,445	**¥7,292**	**$68,637**
Fixed assets – Deferred tax assets	2,011	**–**	**–**
Fixed liabilities – Deferred tax liabilities	–	**(602)**	**(5,666)**

(2) The reconciliation of the statutory tax rate to the effective income tax rate for the years ended March 31, 2017 and 2018 were as follows:

	2017	**2018**
Statutory tax rate	30.9%	**30.9%**
(Adjustment)		
Non-deductible expenses	0.8	**0.5**
Permanent non-taxable items	(0.6)	**(0.2)**
Per capita inhabitant tax	0.2	**0.2**
Change in valuation allowances	(7.9)	**(12.5)**
Tax credit for salary growth	(1.8)	**(1.6)**
Expiration of tax loss carry forwards	–	**4.1**
Consolidation goodwill	2.2	**0.8**
Tax rate differences between the Company and consolidated subsidiaries	0.4	**4.4**
Other	0.5	**1.7**
Effective income tax rate	24.7%	**28.2%**

Change in valuation allowances in the previous fiscal year included certain other items. In the current fiscal year, however, the item has been divided into "Valuation allowances" and "Other" to enhance clarity in presentation.

To reflect this change in presentation, the note for the previous fiscal year has been restated.

As a result, the (7.2%) that had been indicated for "Change in valuation allowances" in the previous fiscal year has been restated as (7.9%) for "Change in valuation allowances" and 0.7% for "Other" in the current fiscal year.

Moreover, "Tax rate differences between the Company and consolidated subsidiaries", which had been included in Other in the previous fiscal year, has been presented separately in the current fiscal year due to an increase in its quantitative materiality.

To reflect this change in presentation, the note for the previous fiscal year has been restated.

As a result, the 0.2% that had been indicated for Other in the previous fiscal year has been restated as 0.4% for "Tax rate differences between the Company and consolidated subsidiaries" and (0.2%) for "Other" in the current fiscal year.

19. Per Share Information

(1) Per share information as of and for the years ended March 31, 2017 and 2018 were as follows:

	Yen		U.S. dollars
	2017	**2018**	**2018**
Net assets per share	¥791.24	**¥995.44**	**$9.37**
Net income per share			
Basic	195.48	**241.98**	**2.28**
Diluted	–	**–**	**–**

(2) The following is the basis for calculating the basic and diluted net income per share:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Net income	¥58,762	**¥72,289**	**$680,431**
Net income not attributable to owners of parent	–	**–**	**–**
Net income attributable to owners of parent	¥58,762	**¥72,289**	**$680,431**
Weighted average number of shares outstanding (thousands of shares)	300,604	**298,737**	

Note: Shares owned by the Board Benefit Trust (BBT) and the Stock-Granting ESOP held as their trust assets are included in treasury stocks from which are deducted in calculating basic profit attributable to owners of parent per share. The average numbers of shares outstanding during the years ended March 31, 2017 and 2018 were 189 thousand and 2,057 thousand, respectively, including 1,862 thousand of shares held by the BBT and the Stock-Granting ESOP as their trust assets in 2018.

(3) The following is the basis for calculating the net assets per share:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Net assets	¥238,467	**¥296,835**	**$2,794,004**
Amount not attributable to common shareholders:			
Non-controlling interests	619	**836**	**7,869**
Net assets attributable to common shareholders	¥237,848	**¥295,999**	**$2,786,135**
The number of common shares of the end of the period used in the calculation of the net assets per share (thousands of shares)	300,602	**297,354**	

Note: Shares owned by the Board Benefit Trust(BBT) and the Stock-Granting ESOP held as their trust assets are included in treasury stocks from which are deducted in calculating net assets per share. The numbers of the treasury stocks at March 31, 2017 and 2018 were 191 thousand and 3,439 thousand, respectively, including 3,242 thousand of shares held by the BBT and the Stock-Granting ESOP as their trust assets in 2018.

20. Segment Information

Overview of segment information

The reportable segments of the Company are components for which discrete financial information is available and which are subject to periodic review in order for the Board of Directors to decide on resource allocation and to assess performance.

The Company group operates its business with any housing related business being at the core. An organizational unit comprises of several business groups with common business/operation targets and responsibilities in certain business domain. The Company has "Construction-Related Business," which primarily targets the market for new housing supply, etc., "Service-Related Business," which primarily deals with existing residences and "Overseas-Related Business," which engages in the development and sales of real estate overseas as reportable segments.

Moreover, as the Company positioned "securing stable revenues by making investments in blue-chip real estate properties" as one of its new focused strategies in the medium-term business plan that started in the current fiscal year, it has changed the classification of its reportable segments, whereby part of the Construction-Related Business has been classified into the Service-Related Business, starting in the first quarter of the current fiscal year.

Furthermore, the segment information for the previous fiscal year has been prepared based on the classification of the reportable segments after the change.

The accounting policies of the segments are substantially the same as those described in Note 2, "Summary of Significant Accounting Policies." Segment performance is evaluated based on operating income or loss. Intersegment sales amounts are determined based on market price.

1. Reportable segment information for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen					
	2017					
	Reportable segments					
Sales, income or loss and assets by reportable segments	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations (Note)	Consolidated
Sales to third parties	¥551,902	¥204,830	¥15,596	¥772,328	¥ –	¥772,328
Inter-segment sales and transfer	14,915	4,846	–	19,761	(19,761)	–
Net sales	566,817	209,676	15,596	792,089	(19,761)	¥772,328
Segment income	81,220	10,240	131	91,591	(2,559)	89,032
Segment assets	¥212,160	¥278,310	¥35,195	¥525,665	¥105,272	¥630,937
Other items						
Depreciation and amortization	¥ 607	¥ 2,853	¥ 9	¥ 3,469	¥ (16)	¥3,453
Investment in equity-method affiliates	–	–	18	18	-	18
Capital expenditures	7,257	19,408	4	26,669	(169)	26,500

	Millions of yen					
	2018					
	Reportable segments					
Sales, income or loss and assets by reportable segments	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations (Note)	Consolidated
Sales to third parties	**¥589,776**	**¥210,895**	**¥12,605**	**¥813,276**	**¥ –**	**¥813,276**
Inter-segment sales and transfer	**25,230**	**4,554**	**–**	**29,784**	**(29,784)**	**–**
Net sales	**615,006**	**215,449**	**12,605**	**843,060**	**(29,784)**	**¥813,276**
Segment income	**91,266**	**13,841**	**348**	**105,455**	**(4,650)**	**100,805**
Segment assets	**¥243,556**	**¥276,450**	**¥33,962**	**¥553,968**	**¥134,340**	**688,308**
Other items						
Depreciation and amortization	**¥ 577**	**¥ 3,072**	**¥ 8**	**¥ 3,657**	**¥69**	**¥ 3,726**
Investment in equity-method affiliates	**–**	**–**	**16**	**16**	**–**	**16**
Capital expenditures	**8,155**	**21,721**	**9**	**29,885**	**905**	**30,790**

Sales, income or loss and assets by reportable segments	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations (Note)	Consolidated
	Thousands of U.S. dollars					
	2018					
	Reportable segments					
Sales to third parties	**$5,551,356**	**$1,985,081**	**$118,646**	**$7,655,083**	**$ –**	**$7,655,083**
Inter-segment sales and transfer	**237,481**	**42,865**	**–**	**280,346**	**(280,346)**	**–**
Net sales	**5,788,837**	**2,027,946**	**118,646**	**7,935,429**	**(280,346)**	**7,655,083**
Segment income	**859,055**	**130,280**	**3,276**	**992,611**	**(43,769)**	**948,842**
Segment assets	**$2,292,508**	**$2,602,127**	**$319,672**	**$5,214,307**	**$1,264,496**	**$6,478,803**
Other items						
Depreciation and amortization	**$ 5,431**	**$ 28,916**	**$ 76**	**$ 34,423**	**$ 649**	**$ 35,072**
Investment in equity-method affiliates	**–**	**–**	**151**	**151**	**–**	**151**
Capital expenditures	**76,760**	**204,452**	**86**	**281,298**	**8,518**	**289,816**

Notes:
1) Adjustments and eliminations are as follows:

(2017)
(1) Adjustments and eliminations for segment income include ¥960 million of elimination of inter-segment transactions and ¥1,599 million 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.
(2) Adjustments and eliminations for segment assets include ¥7,220 million of elimination of receivables stemming from inter-segment transactions and ¥112,492 million of corporate assets. Corporate assets are primarily comprised of cash and bank deposits of the Company.

(2018)
(1) Adjustments and eliminations for segment income include ¥2,208 million ($20,783 thousand) of elimination of inter-segment transactions and ¥2,442 million ($22,986 thousand) 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.
(2) Adjustments and eliminations for segment assets include ¥5,109 million ($48,089 thousand) of elimination of receivables stemming from inter-segment transactions and ¥139,449 million ($1,312,585 thousand) of corporate assets. Corporate assets are primarily comprised of cash and bank deposits of the Company.

2) Segment income has been adjusted with operating income in the consolidated statement of income.

2. Impairment losses on fixed assets by reportable segments for the years ended March 31, 2017 and 2018 were summarized as follows:

	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
	Millions of yen					
	2017					
	Reportable segments					
Impairment loss on fixed assets	¥1,275	¥10,503	¥–	¥11,778	¥(0)	¥11,778

	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
	Millions of yen					
	2018					
	Reportable segments					
Impairment loss on fixed assets	**¥–**	**¥197**	**¥–**	**¥197**	**¥–**	**¥197**

	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
	Thousands of U.S .dollars					
	2017					
	Reportable segments					
Impairment loss on fixed assets	**$–**	**$1,854**	**$–**	**$1,854**	**$–**	**$1,854**

3. The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2017 and 2018 by reportable segment:

	Millions of yen					
	2017					
	Reportable segments					
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Amortization	¥–	¥2,832	¥–	¥2,832	¥–	¥2,832
Balance as of March 31	¥–	¥4,209	¥–	¥4,209	¥–	¥4,209

	Millions of yen					
	2018					
	Reportable segments					
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Amortization	**¥–**	**¥ 663**	**¥–**	**¥ 663**	**¥–**	**¥ 663**
Balance as of March 31	**¥–**	**¥3,545**	**¥–**	**¥3,545**	**¥–**	**¥3,545**

	Thousands of U.S .dollars					
	2018					
	Reportable segments					
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Amortization	**$–**	**$ 6,241**	**$–**	**$ 6,241**	**$–**	**$ 6,241**
Balance as of March 31	**$–**	**$33,368**	**$–**	**$33,368**	**$–**	**$33,368**

4. Information by product and service
Information by product and service is omitted as similar information has already been disclosed in this section.

5. Geographical information
(1) Net sales
Net sales information is omitted since net sales to external customers in Japan exceeds 90% of net sales recorded in the consolidated statements of income for the years ended March 31, 2017 and 2018.

(2) Property and equipment
Property and equipment information is omitted, since the amount of property and equipment located in Japan exceeds 90% of the amount of property and equipment recorded in the consolidated balance sheets as of March 31, 2017 and 2018.

6. Information by major customers
(2017)
Information by major customers is omitted, as net sales to any one specific customer were less than 10% of net sales recorded in the consolidated statements of income.

(2018)

Name	Net sales	Segment
Sumitomo Realty & Development Co., Ltd.	¥84,732 million ($797,553 thousand)	Construction-related business & Service-related business

21. Related Party Transactions

The consolidated subsidiary of the Company had a related party transaction with a close family member of a key management personnel of the Company.

The corresponding balances as of March 31, 2017 and 2018 and the amounts of these transactions for the years then ended are summarized as follows:

Fiscal year ended March 31, 2017 (April 1, 2016 – March 31, 2017)
Not applicable.

Fiscal year ended March 31, 2018 (April 1, 2017 – March 31, 2018)

Type	Name of company or individual	Relationship with related party	Transaction	Transaction amount	Account	Balance at end of fiscal year
Director and close relative	Mother-in-law of Noriaki Tsuji, President and Representative Director of Haseko Corporation	Resident agreement with a paid facility for the elderly operated by a subsidiary of the Company (Notes 1 and 2)	Resident agreement with a paid facility for the elderly operated by a subsidiary of the Company (Notes 1 and 2)	*(Millions of yen)* **¥12** *(Thousands of U.S. dollars)* **$113**	Other current liabilities	*(Millions of yen)* **¥8** *(Thousands of U.S. dollars)* **$75**

Notes:
1) Price and other transaction terms are determined in a similar manner for general transactions.
2) National and local consumption taxes are not included in the transaction amount and the balance at end of fiscal year.

22. Other Comprehensive Income

Reclassification adjustments and tax effects on components of other comprehensive income for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2017	**2018**	**2018**
Net unrealized gain (loss) on other securities:			
Amount arising during the year	¥(195)	**¥3,738**	**$35,184**
Reclassification adjustments for gains (losses) recognized in net income	–	**–**	**–**
Amount before tax effect	(195)	**3,738**	**35,184**
Tax effect	74	**(1,090)**	**(10,259)**
Net unrealized gain (loss) on other securities	(121)	**2,648**	**24,925**
Translation adjustments:			
Amount arising during the year	(799)	**(929)**	**(8,744)**
Retirement benefits liability adjustments:			
Amount arising during the year	(237)	**410**	**3,859**
Reclassification adjustments for gains (losses) recognized in net income	363	**370**	**3,483**
Amount before tax effect	126	**780**	**7,342**
Tax effect	(39)	**(235)**	**(2,212)**
Retirement benefit liability adjustments	87	**545**	**5,130**
Share of other comprehensive income (loss) of affiliates accounted for by the equity method:			
Amount arising during the year	0	**–**	**–**
Total other comprehensive income (loss)	¥(833)	**¥2,264**	**$21,310**

23. Subsequent Event

The Company and Haseko Anesis Corporation, a consolidated subsidiary, have decided to transfer the services of high-voltage bulk power purchasing and electric power retailing for common areas of condominiums (hereinafter, the “Smart Condominium Business”), provided by Haseko Anesis Corporation, to Next Power Company at the meeting held on April 19, 2018. Under the transaction, assets and liabilities held by Haseko Anesis Corporation regarding the Smart Condominium Business will be succeeded to Next Power Company by way of a company split (absorption-type split).

1. Summary of the absorption-type split

(1) Successor company
Next Power Company

(2) Business to be split
Smart Condominium Business

(3) Reason for the absorption-type split
The Haseko Group has worked to expand the services of the Smart Condominium Business through Haseko Anesis Corporation to condominium residents as an effort to increase the number of user units covered by the business and enhance the quality of the services. For users of the services to enjoy more convenience in the future, however, the Company has decided to transfer the business to Next Power Company, a fully-owned subsidiary of The Kansai Electric Power Company, Incorporated, one of Japan’s leading companies in the energy field.

(4) Scheduled date of the absorption-type split
July 1, 2018 (planned)

(5) Legal form of business combination
The consideration for the absorption-type split is limited to cash

(6) Reportable segment in which the divested business is included
Service-Related Business

Independent Auditor's Report

The Board of Directors
HASEKO Corporation

We have audited the accompanying consolidated financial statements of HASEKO Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of HASEKO Corporation and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 23 to the consolidated financial statements, which describes HASEKO Corporation and Haseko Anesis Corporation, a consolidated subsidiary, have decided to transfer the services of high-voltage bulk power purchasing and electric power retailing for common areas of condominiums, provided by Haseko Anesis Corporation, to Next Power Company at the meeting held on April 19, 2018. Our opinion on the consolidated financial statements is not qualified in respect of this matter.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

Ernst & Young ShinNihon LLC

June 28, 2018
Tokyo, Japan

A member firm of Ernst & Young Global Limited