FINANCIAL REPORT 2026

For the Year Ended March 31, 2026

HASEKO Corporation

Management's Discussion and Analysis

Analysis of Financial Condition, Business Performance and Cash Flows by Management

An overview of the Group's financial condition, business performance and cash flows ("business performance") for the fiscal year ended March 2026, and the commentary and details of analysis and an evaluation of the Group's business performance from management's perspective are described below.

Matters concerning the future contained herein are determined as of the end of the fiscal year under review.

(1) Business Performance for the Fiscal Year Ended March 2026

During the consolidated fiscal year under review, the domestic economy showed a moderate recovery overall, although the impact of U.S. trade policies remained. With regard to the outlook, while improvements in the employment and income environment and the effects of various policies are expected to support a moderate recovery, the Group recognizes the need to continue monitoring the impact of developments in the Middle East, fluctuations in financial and capital markets, and trends surrounding U.S. trade policies.

During the consolidated fiscal year, the number of newly supplied condominium units amounted to 21,659 units in the Tokyo metropolitan area (down 2.6% year on year) and 17,002 units in the Kansai area (up 8.2% year on year). In the Tokyo metropolitan area, as developers continued to restrict the number of units supplied, the number of newly supplied units fell below the previous year for the fourth consecutive year. In the Kansai area, the number of newly supplied units exceeded the previous year for the first time in four years. Looking at the characteristics of supplied properties, both the Tokyo metropolitan area and the Kansai area continued to see an upward trend in sales prices per square meter and average prices. In the Tokyo metropolitan area, the sales price per square meter reached 1,419 thousand yen (up 15.4% year on year) and the average price reached 93.83 million yen (up 15.3% year on year), marking record highs for the fifth consecutive year. In the Kansai area, the sales price per square meter reached ¥965 thousand (up 7.9% year on year) and the average price reached 54.18 million yen (up 7.0% year on year), with the sales price per square meter also reaching a record high for the fifth consecutive year.

With respect to sales conditions, in the Tokyo metropolitan area, as developers increasingly adopted a sales approach that placed greater emphasis on longer selling periods, the initial contract ratio declined to 62.9% (down 3.9 percentage points year on year), and the number of units remaining for sale at the end of the fiscal year increased to 6,409 units (up 4.8% year on year). In the Kansai area, although the initial contract ratio declined to 72.4% (down 2.2 percentage points year on year), remaining above 70% and indicating generally steady sales, the number of units remaining for sale at the end of the fiscal year increased to 3,308 units (up 27.4% year on year), reflecting, among other factors, an increase in the number of newly supplied units.

Under these business conditions, in the consolidated fiscal year under review, which marked the first year of the medium-term business plan "HASEKO Evolution Plan," consolidated ordinary profit amounted to 94.1 billion yen, exceeding 90.0 billion yen, primarily due to an improvement in the gross profit margin on completed construction contracts.

For the fiscal year ended March 2026, net sales were up by 8.1% year on year at 1,273.1 billion yen reflected an increase in completed construction revenue and an increase in the volume of real estate transactions. In addition, due to an improvement in the gross profit margin on completed construction contracts, operating profit was up by 16.6% year on year at 98.7 billion yen, ordinary profit was up by 12.8% year on year at 94.1 billion yen and net profit attributable to owners of parents was up by 59.2% year on year at 54.8 billion yen, resulting in increased revenues and profits. In the consolidated fiscal year under review, the operating profit ratio was 7.8% (up by 0.6 percentage points year on year) and ordinary profit ratio came to 7.4% (up by 0.3 percentage points year on year).

Performance by segment is described below.

Billions of yen

	Construction-Related Business		Real Estate-Related Business		Condominium Management and Operation Business		Overseas-Related Business	
Net sales	900.9	(+59.2)	293.2	(+40.5)	165.4	(+13.4)	4.3	(+0.8)
Segment profit (loss)	68.5	(+12.2)	35.6	(+3.0)	8.2	(+1.7)	(6.1)	(-0.4)

Figures in parenthesis represent the amount of increase or decrease from the previous fiscal year.

Construction-Related Business

In building construction, while the Company's capabilities in gathering land information and product planning, its approach to construction quality and adherence to construction schedules, as well as its efficient production system, continued to be evaluated by project owners, the gross profit margin on completed construction contracts for the current period improved, reflecting an improvement in profitability at the time of order receipt.

With regard to orders for newly built condominium construction undertaken by the Company, the Company received orders for 45 projects in the Tokyo metropolitan area, including 22 large-scale projects with 200 units or more, and 19 projects in the Kansai and Tokai areas, including 14 large-scale projects with 200 units or more, for a total of 64 projects.

As for completed construction projects undertaken by the Company, a total of 104 projects, including 12 rental apartment projects, were completed during the current period.

In this segment, net sales amounted to 900.9 billion yen, up 7.0% year on year, and operating profit amounted 68.5 billion yen, up by 21.6% year on year, resulting in increased revenues and profits.

Real Estate-Related Business

Reflecting an increase in the number of newly delivered condominiums and the sale of income properties, as well as an increase in the number of real estate brokerage transactions handled, in this segment, net sales amounted 293.2 billion yen, up by 16.0% year on year, and operating profit amounted 35.6 billion yen, up by 9.2% year on year, resulting in increased revenues and profits.

Condominium Management and Operation Business

In the rental apartment management and corporate housing management outsourcing businesses, the total number of units under management for both businesses combined amounted to 196,878 units, up by 1.4% compared with the end of the previous fiscal year, reflecting steady growth in new contracts and the continuation of existing contracts.

In condominium management, new contracts progressed steadily, and the number of units under management amounted to 448,076 units, up by 1.1% compared with the end of the previous fiscal year.

In services for senior residents, reflecting progress in occupancy at fee-based nursing homes and housing for the elderly, the number of operating units amounted to 2,786 units, up by 2.5% compared with the end of the previous fiscal year.

In this segment, net sales amounted to 165.4 billion yen, up by 8.8% year on year, and operating profit amounted to 8.2 billion yen, up by 26.6% year on year, resulting in increased revenues and profits.

Overseas-Related Business

On the island of Oahu in the State of Hawaii, the Company is engaged in the operation of commercial facilities and the development of new detached housing subdivision projects.

In this segment, net sales amounted 4.3 billion yen (the sales were 3.5 billion yen in the previous fiscal year), and operating loss amounted 6.1 billion yen (operating loss of 5.7 billion yen in the previous fiscal year).

(2) Financial Position

Total assets at the end of the consolidated fiscal year ended March 2026 amounted to 1,417.7 billion yen, increased by 52.5 billion yen from the end of the previous fiscal year, primarily reflecting an increase in cash and deposits.

Total liabilities were 854.3 billion yen, an increase of 21.1 billion yen from the end of the previous fiscal year, reflecting, among other factors, the procurement of borrowings.

Consolidated net assets were 563.5 billion yen, an increase of 31.4 billion yen from the end of the previous fiscal year, primarily reflecting an increase in retained earnings as a result of the recognition of profit attributable to owners of parent.

As a result of above, the equity ratio was 39.7% compared with 39.0% at the end of the previous fiscal year.

Assets by segment are described below.

Billions of yen

	Construction-Related Business		Real Estate-Related Business		Condominium Management and Operation Business		Overseas-Related Business	
Segment assets	390.4	(-14.3)	633.9	(-8.3)	1,615	(+6.5)	1,585	(+36.7)

Figures in parenthesis represent the amount of increase or decrease from the previous fiscal year.

Construction-Related Business

Assets of the Construction-Related Business amounted to 401.3 billion yen as of the end of the fiscal year under review, down by 14.3 billion yen from the end of the previous fiscal year, due to such factors as increases in real estate for sale associated with the progress of sales of lands for the purpose of receiving construction orders.

Real Estate-Related Business

Assets of the Real Estate-Related Business amounted to 633.9 billion yen as of the end of the fiscal year under review, down by 8.3 billion yen from the end of the previous fiscal year, mainly due to steady progress in the sales of condominium units, which led to a reduction in real estate for sale.

Condominium Management and Operation Business

Assets of the Service-Related Business totaled 161.5 billion yen as of the end of the fiscal year under review, up by 6.5 billion yen from the end of the previous fiscal year, mainly due to an increase in real estate for sale.

Overseas-Related Business

Assets of the Overseas Business increased by 36.7 billion yen from the end of the previous fiscal year to 158.5 billion yen as of the end of the fiscal year, as investment securities increased because of investment, among other factors.

(3) Cash Flows

Net cash provided by operating activities in the fiscal year ended March 2026 was 157.4 billion yen, fluctuated by 153.5 billion yen from the net cash provided in operating activities totaling 3.9 billion yen in the previous fiscal year. This was mainly attributable to an increase in cash of 54.2 billion yen due to a decrease in inventories (a decrease in cash of 49.7 billion yen in the previous consolidated fiscal year).

Net cash used in investing activities in the fiscal year was 53.2 billion yen, fluctuated by 20.8 billion yen from the net cash used in investing activities totaling 32.5 billion yen in the previous fiscal year. This was mainly attributable to a decrease in cash of 34.7 billion yen due to the acquisition of investment securities (a decrease in cash of 14.5 billion yen in the previous consolidated fiscal year).

Net cash used in financing activities in the fiscal year was 53.4 billion yen, fluctuated by 32.8 billion yen from the net cash used in financing activities totaling 20.5 billion yen in the previous fiscal year. This was mainly attributable to a decrease in cash of 20.1 billion yen associated with the acquisition of treasury shares (a decrease in cash of 0.5 billion yen in the previous consolidated fiscal year).

As a result of the above, the balance of cash and cash equivalents at the end of the consolidated fiscal year totaled 288.1 billion yen, an increase of 52.3 billion yen from 235.8 billion yen at the end of the previous consolidated fiscal year.

The financial resources and liquidity of funds of the Haseko Group are as follows.

The Haseko Group's demand for funds includes expenditures mainly for such purposes as operating funds for construction projects, acquisition of real estate on a short-term basis for the purpose of construction orders, purchase of for-sale real estate, and investments in rental properties and the overseas business. For such demand for funds, the Company intends to allocate profits from business activities and funds procured from borrowings and issuance of corporate bonds.

In the fiscal year under review, the Company repaid long-term borrowings of 20.0 billion yen at maturity and redeemed 40.0 billion yen in bonds, while procuring 15.0 billion yen under a commitment line. As a result, the balance of debt, including corporate bonds, increased by 5.0 billion yen to 425.0 billion yen.

In addition, the Company has concluded a commitment line agreement whose amount is 100.0 billion yen with financial institutions in order to conduct stable and flexible procurement of working capital, ensuring sufficient liquidity in conjunction with cash and deposits.

CONSOLIDATED BALANCE SHEET

As of March 31, 2025 and 2026

ASSETS

	Millions of yen		Thousands of U.S. dollars
	2025	**2026**	**2026**
ASSETS			
Current Assets:			
Cash and deposits	¥ 235,976	**¥ 279,968**	**$1,751,115**
Electronically recorded monetary claims, accounts receivable from completed construction contracts and other (Note 1)	148,607	**137,572**	**860,473**
Securities	3,305	**11,760**	**73,555**
Costs on construction contracts in progress	13,578	**13,869**	**86,747**
Real estate for sale	312,779	**254,820**	**1,593,818**
Costs on real estate business	281,933	**296,445**	**1,854,174**
Real estate for development	36,912	**35,452**	**221,741**
Other current assets	20,232	**22,206**	**138,891**
Allowance for doubtful accounts	(121)	**(126)**	**(789)**
Total current assets	1,053,200	**1,051,966**	**6,579,724**
Non-current assets:			
Property, plant and equipment			
Buildings and structures (Note 3)	77,922	**90,373**	**565,257**
Machinery, vehicles, tools, furniture and fixtures (Note 3)	12,898	**18,468**	**115,513**
Land	79,421	**71,361**	**446,340**
Leased assets	1,250	**2,487**	**15,557**
Construction in progress	8,649	**5,383**	**33,668**
Other	183	**1,258**	**7,869**
Accumulated depreciation	(36,439)	**(46,563)**	**(291,236)**
Total property, plant and equipment	143,883	**142,768**	**892,968**
Intangible assets			
Leasehold interests in land	1,948	**1,948**	**12,184**
Goodwill	1,778	**1,574**	**9,848**
Other (Note 3)	8,679	**10,000**	**62,550**
Total intangible assets	12,404	**13,523**	**84,582**
Investments and Other Assets			
Investment securities (Note 2)	102,774	**146,313**	**915,141**
Long-term loans receivable	4,483	**6,719**	**42,023**
Retirement benefit asset	28,471	**41,560**	**259,948**
Deferred tax assets	6,794	**198**	**1,236**
Other	14,134	**15,780**	**98,700**
Allowance for doubtful accounts	(941)	**(1,102)**	**(6,894)**
Total investments and other assets	155,716	**209,467**	**1,310,154**
Total non-current assets	312,003	**365,758**	**2,287,704**
Total assets	¥1,365,203	**¥1,417,724**	**$8,867,428**

See notes to consolidated financial statements, 7. Notes to Consolidated Balance Sheets.

CONSOLIDATED BALANCE SHEET

As of March 31, 2025 and 2026

LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars
	2025	**2026**	**2026**
LIABILITIES			
Current Liabilities:			
Notes payable, accounts payable for construction contracts and other	¥ 105,413	**¥ 101,782**	**$ 636,616**
Electronically recorded obligations - operating	42,537	**42,252**	**264,273**
Short-term borrowings	15,000	**–**	**–**
Current portion of long-term borrowings	20,000	**10,000**	**62,547**
Current portion of bonds payable	40,000	**–**	**–**
Income taxes payable	14,820	**24,077**	**150,594**
Advances received on construction contracts in progress (Note 4)	44,843	**63,240**	**395,546**
Deposits received - real estate business (Note 4)	38,771	**36,305**	**227,074**
Deposits	77,499	**68,413**	**427,901**
Provision for warranties for completed construction	5,169	**4,789**	**29,953**
Provision for loss on construction contracts	521	**202**	**1,263**
Provision for bonuses	6,877	**8,617**	**53,894**
Provision for bonuses for directors (and other officers)	151	**463**	**2,894**
Other current liabilities (Note 4)	31,224	**38,153**	**238,633**
Total current liabilities	442,824	**398,291**	**2,491,188**
Non-current Liabilities::			
Bonds payable	80,000	**80,000**	**500,375**
Long-term borrowings	265,000	**335,000**	**2,095,321**
Provision for loss on litigation	6,419	**–**	**–**
Provision for share awards	4,824	**5,386**	**33,690**
Provision for share awards for directors (and other officers)	459	**660**	**4,125**
Retirement benefit liability	1,946	**2,083**	**13,032**
Deferred tax liabilities	11	**11**	**68**
Other non-current liabilities	31,687	**32,842**	**205,418**
Total non-current liabilities	390,347	**455,983**	**2,852,030**
Total liabilities	833,170	**854,274**	**5,343,217**
NET ASSETS			
Shareholders' Equity:			
Share capital	57,500	**57,500**	**359,645**
Capital surplus	7,373	**7,624**	**47,686**
Retained earnings	472,561	**489,444**	**3,061,319**
Treasury shares	(37,398)	**(43,882)**	**(274,468)**
Total shareholders' equity	500,036	**510,686**	**3,194,183**
Accumulated Other Comprehensive Income:			
Valuation difference on available-for-sale securities	10,215	**20,843**	**130,366**
Foreign currency translation adjustment	22,938	**24,158**	**151,098**
Remeasurements of defined benefit plans	(1,155)	**7,049**	**44,088**
Total accumulated other comprehensive income (loss)	31,997	**52,049**	**325,552**
Non-controlling Interests	–	**716**	**4,476**
Total net assets	532,033	**563,451**	**3,524,211**
Total liabilities and net assets	¥1,365,203	**¥1,417,724**	**$8,867,428**

See notes to consolidated financial statements, 7. Notes to Consolidated Balance Sheets.

CONSOLIDATED STATEMENT OF INCOME

For the years ended March 31, 2025 and 2026

	Millions of yen		Thousands of U.S. dollars
	2025	**2026**	**2026**
Net Sales			
Net sales of completed construction contracts	¥ 599,150	**¥ 625,243**	**$3,910,702**
Net sales of design and supervision	14,250	**15,684**	**98,102**
Net sales of leasing and management	94,107	**98,131**	**613,779**
Real estate sales	448,688	**511,128**	**3,196,948**
Other operating revenue	21,158	**22,950**	**143,542**
Total net sales (Note 1)	1,177,353	**1,273,136**	**7,963,074**
Cost of Sales			
Cost of sales of completed construction contracts (Notes 2 and 3)	524,507	**536,960**	**3,358,520**
Cost of design and supervision (Note 2)	7,012	**7,903**	**49,432**
Cost of leasing and management	73,382	**76,880**	**480,859**
Cost of sales - real estate (Note 3)	388,016	**443,404**	**2,773,352**
Other business expenses	17,911	**18,148**	**113,512**
Total cost of sales	1,010,828	**1,083,295**	**6,775,675**
Gross profit			
Gross profit on completed construction contracts	74,642	**88,283**	**552,182**
Gross profit design and supervision	7,239	**7,781**	**48,670**
Gross profit leasing and management	20,725	**21,251**	**132,920**
Gross profit - real estate sales	60,673	**67,725**	**423,596**
Gross profit - other business	3,247	**4,801**	**30,031**
Total gross profit	166,525	**189,841**	**1,187,399**
Selling, General and Administrative Expenses (Notes 4 and 5)	81,825	**91,098**	**569,791**
Operating profit	84,701	**98,743**	**617,608**
Non-operating Income			
Interest income	346	**763**	**4,773**
Dividend income	2,805	**667**	**4,170**
Foreign exchange gains	–	**986**	**6,170**
Other	1,462	**1,349**	**8,435**
Total non-operating income	4,613	**3,765**	**23,549**
Non-operating Expenses			
Interest expenses	3,549	**4,746**	**29,683**
Share of loss of entities accounted for using equity method	779	**2,073**	**12,967**
Incidental expense for loan	1,231	**1,195**	**7,473**
Other	346	**443**	**2,771**
Total non-operating expenses	5,905	**8,457**	**52,894**
Ordinary profit	83,408	**94,051**	**588,262**
Extraordinary Income			
Gain on sale of non-current assets (Note 6)	12	**19**	**116**
Gain on sale of investment securities	191	**90**	**561**
National subsidies	40	**48**	**301**
Other	0	**–**	**–**
Total extraordinary income	243	**156**	**979**
Extraordinary Losses			
Loss on disposal of non-current assets (Note 7)	64	**338**	**2,117**
Impairment losses (Note 8)	16,861	**4,079**	**25,513**
Loss on valuation of investment securities	2,990	**–**	**–**
Provision for loss on litigation	3,006	**–**	**–**
Other	40	**335**	**2,094**
Total extraordinary losses	22,960	**4,752**	**29,725**
Profit before Income Taxes	60,692	**89,455**	**559,516**
Income taxes - current	26,888	**36,440**	**227,923**
Income taxes - deferred	(647)	**(1,886)**	**(11,795)**
Total income taxes	26,241	**34,555**	**216,128**
Profit	34,450	**54,901**	**343,388**
Profit Attributable to Non-controlling Interests	–	**62**	**388**
Profit Attributable to Owners of Parent	¥ 34,450	**¥ 54,839**	**$ 342,999**

See notes to consolidated financial statements, 8. Notes to Consolidated Statement of Income.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended March 31, 2025 and 2026

	Millions of yen		Thousands of U.S. dollars
	2025	**2026**	**2026**
Profit (Loss)	¥34,450	**¥54,901**	**$343,388**
Other Comprehensive Income:			
Valuation difference on available-for-sale securities	(237)	**10,628**	**66,474**
Foreign currency translation adjustment	11,836	**1,220**	**7,630**
Remeasurements of defined benefit plans, net of tax	(1,501)	**8,204**	**51,314**
Total other comprehensive income (Note)	10,098	**20,052**	**125,419**
Comprehensive Income	44,549	**74,953**	**468,806**
Total Comprehensive Income Attributable to:			
Comprehensive income attributable to owners of parent	44,549	**74,891**	**468,418**
Comprehensive income attributable to non-controlling interests	–	**62**	**388**

See notes to consolidated financial statements, 9. Other Comprehensive Income.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the years ended March 31, 2025 and 2026

For the year ended March 31, 2025

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
			(Millions of yen)		
Balance at April 1, 2024	**¥57,500**	**¥7,373**	**¥461,707**	**¥(37,233)**	**¥489,347**
Changes during period					
Dividends of surplus	–	–	(23,597)	–	(23,597)
Profit attributable to owners of parent	–	–	34,450	–	34,450
Purchase of treasury shares	–	–	–	(545)	(545)
Disposal of treasury shares	–	0	–	379	379
Cancellation of treasury shares	–	–	–	–	–
Appropriation to capital surplus	–	–	–	–	–
Change in ownership interest of parent due to transaction with non-controlling interests	–	–	–	–	–
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during the year	–	0	10,854	(165)	10,689
Balance at March 31, 2025	**¥57,500**	**¥7,373**	**¥472,561**	**¥(37,398)**	**¥500,036**

	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
			(Millions of yen)			
Balance at April 1, 2024	**¥10,452**	**¥11,101**	**¥ 345**	**¥21,899**	**¥–**	**¥511,246**
Changes during period						
Dividends of surplus	–	–	–	–	–	(23,597)
Profit attributable to owners of parent	–	–	–	–	–	34,450
Purchase of treasury shares	–	–	–	–	–	(545)
Disposal of treasury shares	–	–	–	–	–	379
Cancellation of treasury shares	–	–	–	–	–	–
Appropriation to capital surplus	–	–	–	–	–	–
Change in ownership interest of parent due to transaction with non-controlling interests	–	–	–	–	–	–
Net changes in items other than shareholders' equity	(237)	11,836	(1,501)	10,098	–	10,098
Total changes during the year	(237)	11,836	(1,501)	10,098	–	20,787
Balance at March 31, 2025	**¥10,215**	**¥22,938**	**¥(1,155)**	**¥31,997**	**¥–**	**¥532,033**

See notes to consolidated financial statements, 10. Notes to Consolidated Statements of Changes in Equity.

For the year ended March 31, 2026

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
			(Millions of yen)		
Balance at April 1, 2025	**¥57,500**	**¥7,373**	**¥472,561**	**¥(37,398)**	**¥500,036**
Changes during period					
Dividends of surplus	–	–	(24,710)	–	(24,710)
Profit attributable to owners of parent	–	–	54,839	–	54,839
Purchase of treasury shares	–	–	–	(20,055)	(20,055)
Disposal of treasury shares	–	0	–	325	326
Cancellation of treasury shares	–	(13,246)	–	13,246	–
Appropriation to capital surplus	–	13,246	(13,246)	–	–
Change in ownership interest of parent due to transaction with non-controlling interests	–	251	–	–	251
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during the year	–	251	16,883	(6,483)	10,650
Balance at March 31, 2026	**¥57,500**	**¥7,624**	**¥489,444**	**¥(43,882)**	**¥510,686**

	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
			(Millions of yen)			
Balance at April 1, 2025	**¥10,215**	**¥22,938**	**¥(1,155)**	**¥31,997**	**¥ –**	**¥532,033**
Changes during period						
Dividends of surplus	–	–	–	–	–	(24,710)
Profit attributable to owners of parent	–	–	–	–	–	54,839
Purchase of treasury shares	–	–	–	–	–	(20,055)
Disposal of treasury shares	–	–	–	–	–	326
Cancellation of treasury shares	–	–	–	–	–	–
Appropriation to capital surplus	–	–	–	–	–	–
Change in ownership interest of parent due to transaction with non-controlling interests	–	–	–	–	–	251
Net changes in items other than shareholders' equity	10,628	1,220	8,204	20,052	716	20,768
Total changes during the year	10,628	1,220	8,204	20,052	716	31,418
Balance at March 31, 2026	**¥20,843**	**¥24,158**	**¥ 7,049**	**¥52,049**	**¥716**	**¥563,451**

See notes to consolidated financial statements, 10. Notes to Consolidated Statements of Changes in Equity.

For the year ended March 31, 2026

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
	(Thousands of U.S. dollars)				
Balance at April 1, 2025	**$359,645**	**$46,118**	**$2,955,722**	**$(233,915)**	**$3,127,570**
Changes during period					
Dividends of surplus	–	–	(154,554)	–	(154,554)
Profit attributable to owners of parent	–	–	342,999	–	342,999
Purchase of treasury shares	–	–	–	(125,440)	(125,440)
Disposal of treasury shares	–	1	–	2,035	2,036
Cancellation of treasury shares	–	(82,852)	–	82,852	–
Appropriation to capital surplus	–	82,848	(82,848)	–	–
Change in ownership interest of parent due to transaction with non-controlling interests	–	1,572	–	–	1,572
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during the year	–	1,568	105,597	(40,552)	66,613
Balance at March 31, 2026	**$359,645**	**$47,686**	**$3,061,319**	**$(274,468)**	**$3,194,183**

	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
	(Thousands of U.S. dollars)					
Balance at April 1, 2025	**$ 63,891**	**$143,468**	**$ (7,226)**	**$200,133**	**$ –**	**$3,327,703**
Changes during period						
Dividends of surplus	–	–	–	–	–	(154,554)
Profit attributable to owners of parent	–	–	–	–	–	342,999
Purchase of treasury shares	–	–	–	–	–	(125,440)
Disposal of treasury shares	–	–	–	–	–	2,036
Cancellation of treasury shares	–	–	–	–	–	–
Appropriation to capital surplus	–	–	–	–	–	–
Change in ownership interest of parent due to transaction with non-controlling interests	–	–	–	–	–	1,572
Net changes in items other than shareholders' equity	66,474	7,630	51,314	125,419	4,476	129,895
Total changes during the year	66,474	7,630	51,314	125,419	4,476	196,508
Balance at March 31, 2026	**$130,366**	**$151,098**	**$44,088**	**$325,552**	**$4,476**	**$3,524,211**

See notes to consolidated financial statements, 10. Notes to Consolidated Statements of Changes in Equity.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended March 31, 2025 and 2026

	Millions of yen		Thousands of U.S. dollars
	2025	**2026**	**2026**
Cash Flows from Operating Activities:			
Profit (Loss) before income taxes	¥ 60,692	**¥ 89,455**	**$ 559,516**
Depreciation	7,999	**8,777**	**54,897**
Impairment losses	16,861	**4,079**	**25,513**
Amortization of goodwill	203	**491**	**3,071**
Increase (Decrease) in allowance for doubtful accounts	(18)	**150**	**939**
Increase (Decrease) in provision for loss on litigation	3,076	**(72)**	**(448)**
Interest and dividend income	(3,151)	**(1,430)**	**(8,943)**
Interest expenses	3,549	**4,746**	**29,683**
Foreign exchange losses (gains)	149	**(986)**	**(6,170)**
Share of loss (profit) of entities accounted for using equity method	779	**2,073**	**12,967**
Loss (Gain) on sale of investment securities	(191)	**197**	**1,232**
Loss (Gain) on valuation of investment securities	2,990	**–**	**–**
Loss (Gain) on disposal of non-current assets	52	**320**	**2,000**
Loss (Gain) on valuation of inventories	2,800	**11,292**	**70,627**
Decrease (Increase) in trade receivables	(212)	**11,431**	**71,495**
Decrease (Increase) in costs on construction contracts in progress	(839)	**919**	**5,748**
Decrease (Increase) in inventories	(49,704)	**54,222**	**339,145**
Increase (Decrease) in trade payables	(25,990)	**(5,266)**	**(32,939)**
Increase (Decrease) in advances received on construction contracts in progress	(2,324)	**18,341**	**114,716**
Increase (Decrease) in deposit received-real estate	(2,999)	**(2,466)**	**(15,423)**
Increase (Decrease) in deposits received	14,658	**(9,284)**	**(58,067)**
Other	1,864	**7,954**	**49,749**
Subtotal	30,243	**194,943**	**1,219,309**
Interest and dividends received	3,147	**1,276**	**7,979**
Interest paid	(3,511)	**(4,585)**	**(28,678)**
Income taxes paid	(25,963)	**(27,948)**	**(174,806)**
Payments for loss on litigation	–	**(6,272)**	**(39,229)**
Net Cash Provided by Operating Activities	3,916	**157,414**	**984,574**
Cash Flows from Investing Activities:			
Payments into time deposits	(35)	**(70)**	**(436)**
Proceeds from withdrawal of time deposits	31	**118**	**739**
Purchase of securities	(787)	**(1,568)**	**(9,807)**
Proceeds from redemption of securities	787	**1,568**	**9,807**
Purchase of property, plant and equipment and intangible assets	(20,661)	**(21,133)**	**(132,182)**
Proceeds from sale of property, plant and equipment and intangible assets	28	**31**	**192**
Purchase of investment securities	(14,470)	**(34,708)**	**(217,087)**
Proceeds from sales and withdrawal of investment securities	4,331	**4,993**	**31,227**
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 2)	–	**(567)**	**(3,545)**
Loan advances	(29,954)	**(35,264)**	**(220,568)**
Proceeds from collection of loans receivable	28,537	**34,581**	**216,294**
Payments of leasehold and guarantee deposits	(998)	**(1,670)**	**(10,443)**
Proceeds from refund of leasehold and guarantee deposits	804	**561**	**3,509**
Other	(85)	**(97)**	**(608)**
Net Cash Used in Investing Activities	(32,472)	**(53,225)**	**(332,907)**
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term borrowings	15,000	**(19,625)**	**(122,747)**
Proceeds from long-term borrowings	–	**80,150**	**501,313**
Repayment of long-term borrowings	(10,000)	**(26,789)**	**(167,557)**
Redemption of bonds	–	**(40,977)**	**(256,298)**
Purchase of treasury shares	(545)	**(20,055)**	**(125,440)**
Incidental expenses for loan	(1,236)	**(1,189)**	**(7,439)**
Dividends paid	(23,597)	**(24,710)**	**(154,554)**
Other	(168)	**(177)**	**(1,109)**
Net Cash Used in Financing Activities	(20,545)	**(53,373)**	**(333,830)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,407	**1,521**	**9,511**
Net Increase (Decrease) in Cash and Cash Equivalents	(47,695)	**52,336**	**327,348**
Cash and Cash Equivalents at Beginning of Period	283,493	**235,798**	**1,474,844**
Cash and Cash Equivalents at End of Period (Note 1)	¥235,798	**¥288,134**	**$1,802,192**

See notes to consolidated financial statements, 11. Cash and Cash Equivalents.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Haseko Corporation and Consolidated Subsidiaries
For the years ended March 31, 2025 and 2026

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.

The U.S. dollar amounts are included solely for convenience of readers outside Japan, at the prevailing exchange rate on March 31, 2026, which was ¥159.88=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.

2. Significant Matters Serving as the Basis for Preparation of Consolidated Financial Statements

1. Matters related to the scope of consolidation

(1) Number of consolidated subsidiaries

77 consolidated companies

Names of Major consolidated subsidiaries

Fujikensetsu Co., Ltd.
Hasec Inc.
Haseko Furnishing Co., Ltd.
Haseko Reform Inc.
Hosoda Corporation
Haseko Home, Co., Ltd.
WOOD FRIENDS Co., Ltd.
FOREST NOTE Co., Ltd.
LUMBER LAND Co., Ltd.
Haseko Real Estate Development Holdings Inc.
Haseko Real Estate Development, Inc.
Sohgoh Real Estate Co., Ltd.
Haseko Sohgoh Development Co., Ltd.
Haseko Urbest Inc.
Haseko Real Estate, Inc.
Haseko Intech Inc.
Haseko Anesis Corporation
Haseko Property Management Holdings Inc.
Haseko Community, Inc.
Haseko Community Kyushu Inc.
Haseko Community Okinawa Inc.
Haseko Livenet, Inc.
Joint Property Co., Ltd.
Haseko Business Proxy, Inc.
Haseko Senior Well Design Co., Ltd.
Haseko Systems Inc.
SHINRIN KOEN GC Co., Ltd.
HASEKO America, Inc.
HASEKO (Hawaii), Inc.
HASEKO North America, Inc.
HASEKO UK LIMITED

During the fiscal year under review, the Company acquired shares of WOOD FRIENDS Co., Ltd. and therefore included WOOD FRIENDS Co., Ltd., FOREST NOTE Co., Ltd., LUMBER LAND Co., Ltd. and SHINRIN KOEN GC Co., Ltd. as consolidated subsidiaries.

In addition, as HASEKO UK LIMITED was newly established, it was included as a consolidated subsidiary.

Haseko Community West Japan Inc., which had been a consolidated subsidiary in the previous fiscal year, was merged into Haseko Community Inc., with Haseko Community Inc., as the surviving company and Haseko Community West Japan Co., Ltd. as the dissolved company.

(2) Names of major non-consolidated subsidiaries

Haseko Navie Corporation
Haseko-techno Corporation

(3) Reason for exclusion of non-consolidated subsidiaries from the scope of consolidation

Each of the non-consolidated subsidiaries is small in scale, and their total assets, net sales, profit or loss for the fiscal year (amount corresponding to the Company's equity interest), and retained earnings (amount corresponding to the Company's equity interest) do not have a material impact on the consolidated financial statements. Accordingly, they are excluded from the scope of consolidation.

2. Matters related to application of the equity method

(1) Number of companies accounted for using the equity method

15 affiliated companies

Major companies accounted for by the equity method

HASEKO Homeloans, LLC
Duarte Multifamily, LLC.
Duarte Multifamily II LLC.
Anaheim Multifamily LLC.
Morgan Hill Multifamily LLC.
Murrieta II Multifamily LLC.
Santa Maria II Multifamily LLC.
KW-HAS Vancouver JV, LLC
GS HNA Elk Grove JV, LLC
HASTHC Lakemont JV LLC

There are no non-consolidated subsidiaries accounted for using the equity method.

(2) Names of major non-consolidated subsidiaries and affiliates not accounted for using the equity method

Major non-consolidated subsidiaries not accounted for using the equity method

Haseko Navie Corporation
Haseko-techno Corporation

(3) Reason for exclusion of non-consolidated subsidiaries and affiliates from the scope of the equity method

With respect to non-consolidated subsidiaries and affiliates not accounted for using the equity method, the impact on the consolidated financial statements of excluding them from the scope of application of the equity method is immaterial when considering their profit or loss for the fiscal year (amount corresponding to the Company's equity interest) and retained earnings (amount corresponding to the Company's equity interest). In addition, they are not material in aggregate. Accordingly, they are excluded from the scope of application of the equity method.

3. Matters related to fiscal year-end of consolidated subsidiaries

Among the consolidated subsidiaries, HASEKO America, Inc. and its consolidated subsidiaries, 48 subsidiaries in total, have a fiscal year-end of December 31. In preparing the consolidated financial statements, the financial statements as of December 31 are used for each of such subsidiaries. However, necessary adjustments are made on consolidation for significant transactions that occurred during the period from January 1 to the consolidated closing date of March 31.

The fiscal years of the other consolidated subsidiaries are the same as that of the Company submitting the consolidated financial statements.

4. Matters related to significant accounting policies
(1) Standards and methods for valuation of important assets
(a) Securities
(i) Bonds held to maturity
The amortized cost method is applied.
(ii) Other securities:
(A) Securities other than stocks without market value
These securities are stated at fair value based on market prices, etc. as of the balance sheet date.
(Unrealized gains and losses are recorded directly in net assets, and the cost of securities sold is calculated using the moving average method.)
(B) Stocks without market value
These securities are stated at cost determined using the moving average method.
(b) Inventories
(i) Construction contracts in process, Real estate for sale, Costs on real estate business, and Real estate for development
They are stated at cost determined mainly 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 using the same method as that applied to property, plant and equipment.
(ii) Raw materials
Materials are valued at cost using the moving-average method (The book value of inventories on the balance sheets is written down based on the fall in profitability).
(iii) Supplies
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).

(2) Depreciation methods for important depreciable assets
(a) Tangible fixed assets (excluding leased assets)
The declining-balance method is applied.
However, buildings (excluding building fixtures) acquired on or after April 1, 1998, and building fixtures and structures acquired on or after April 1, 2016, are depreciated using the straight-line method.
Some consolidated subsidiaries apply the straight-line method.
(b) Intangible fixed assets (excluding leased assets)
The straight-line method is applied.
Software for internal use is amortized using the straight-line method based on the estimated useful life within the Company (five years).
(c) Lease assets
Lease assets related to finance lease transactions that transfer ownership are depreciated using the same method as that applied to owned fixed assets.
Lease assets related to finance lease transactions that do not transfer ownership are depreciated using the straight-line method over the lease period, with no residual value.

(3) Standards for recording significant provisions
(a) Allowance for doubtful accounts
To provide for losses from uncollectible receivables, an allowance is provided for general receivables based on historical bad debt ratios.
For specific receivables, such as doubtful receivables, the allowance is provided based on individually assessed estimated uncollectible amounts.
(b) Provision for warranties for completed construction
To provide for future expenditures for free repairs borne by the Company after delivery related to defects and contractual nonconformities of construction work recorded as completed construction, a provision is recorded based on estimated repair costs.
(c) Provision for loss on construction contracts
To provide for future losses on construction contracts, an estimated loss is recorded for construction work not yet delivered as of the end of the fiscal year when a loss is expected to occur and the amount can be reasonably estimated.
(d) Provision for bonuses
To provide for bonus payments to employees, a provision is recorded based on the estimated amount of bonuses to be paid.
(e) Provision for bonuses for directors (and other officers)
To provide for bonus payments to directors, a provision is recorded based on the estimated amount of bonuses to be paid.
(f) Provision for share awards
To provide for the delivery of the Company's shares based on share awards regulations, a provision is recorded based on the estimated amount of share awards payment obligations as of the end of the fiscal year.
(g) Provision for share awards for directors (and other officers)
To provide for the delivery of the Company's shares to directors based on share awards for directors payment regulations, a provision is recorded based on the estimated amount of share awards for directors payment obligations as of the end of the fiscal year.

(4) Accounting treatment of retirement benefits
(a) Method of attributing estimated retirement benefit amounts to periods
In calculating retirement benefit obligations, the estimated retirement benefit amounts are attributed to the period up to the end of the fiscal year using the benefit formula method.
(b) Method of amortizing actuarial gains and losses and prior service costs
Prior service costs are amortized mainly using the straight-line method over the average remaining service period of employees at the time the costs arise (5 to 13 years).
Actuarial gains and losses are amortized mainly using the straight-line method over the average remaining service period of employees at the time the gains or losses arise (5 to 18 years), with amortization commencing from the fiscal year following the year in which they arise.
(c) Adoption of the simplified method for small-sized entities
Some consolidated subsidiaries apply a simplified method for calculating retirement benefit obligations and retirement benefit expenses, under which the amount payable upon voluntary retirement at the fiscal year-end is deemed to be the retirement benefit obligation.

(5) Accounting standards for significant revenues and expenses
The principal performance obligations in the major businesses related to revenue arising from contracts with customers of the Company and its consolidated subsidiaries, and the timing at which such performance obligations are typically satisfied, are as follows.
(a) Construction-related business
The Company and its consolidated subsidiaries engage in comprehensive construction business primarily targeting the

market for new housing supply, providing services ranging from planning and design to construction of condominiums and other buildings, as well as undertaking large-scale refurbishment work mainly for existing housing. Revenue is recognized as follows.

(Construction contracts, large-scale refurbishment work, interior remodeling, etc.)

These performance obligations are satisfied over time, as the value of the property increases as the contracted construction work progresses and the customer controls the asset. Accordingly, revenue is recognized based on the progress of construction work.

Progress toward satisfaction of the performance obligation is measured using the input method based on costs incurred.

The transaction price is determined by the construction contract, and consideration is received in stages at the times specified in the contract.

However, for construction contracts where the period from the contract inception date to the point at which complete satisfaction of the performance obligation is expected to be very short, revenue is recognized at the point in time when the performance obligation is completely satisfied.

(Design and supervision)

For design services, the performance obligation consists of delivering the deliverables to the customer, and revenue is recognized at the point in time when the services are completed.

The transaction price is determined by the service contract, and consideration is received at the times specified in the contract.

For supervision services, the performance obligation consists of providing supervision services related to construction work to the customer over the contract period, and revenue is recognized over the contract period.

The transaction price is determined by the service contract, and consideration is received at the times specified in the contract.

(Real estate sales, etc.)

These performance obligations are satisfied at a point in time when the real estate sales transaction is completed, and revenue is recognized at that point in time.

The transaction price is determined by the contract with the customer, and consideration is received based on that contract.

(b) Real estate-related business

The Company and its consolidated subsidiaries engage primarily in real estate sales of newly built condominiums, sales agency services for condominiums, and real estate brokerage services.

Revenue is recognized as follows.

(Real estate sales, brokerage and renovation)

These performance obligations are satisfied at a point in time when the real estate sales transaction is completed, and revenue is recognized at that point in time.

The transaction price is determined by the contract with the customer, and consideration is received based on that contract.

(Sales agency services for condominiums)

The performance obligation consists of selling, contracting and delivering condominium units to end users on behalf of the client.

As a series of performance obligations is satisfied upon delivery of each individual unit, revenue is recognized at the time each unit is delivered.

The transaction price is determined by the contract with the customer, and consideration is received based on that contract.

(c) Condominium management and operation business

The Company and its consolidated subsidiaries engage mainly in condominium management, rental apartment management, interior remodeling and related services for existing housing. Revenue is recognized as follows.

(Condominium management, rental apartment management, etc.)

Depending on the nature of the performance obligations related to condominium management, performance obligations are satisfied either at a point in time or over a period of time, and revenue is recognized accordingly.

The transaction price is determined by the contract with the customer, and consideration is received based on that contract.

(Interior remodeling, etc.)

These performance obligations are satisfied over time, as the value of the property increases as the contracted construction work progresses and the customer controls the asset.

Accordingly, revenue is recognized based on the progress of construction work.

Progress toward satisfaction of the performance obligation is measured using the input method based on costs incurred.

The transaction price is determined by the construction contract, and consideration is received at the times specified in the contract.

However, for construction contracts where the period from the contract inception date to the point at which complete satisfaction of the performance obligation is expected to be very short, revenue is recognized at the point in time when the performance obligation is completely satisfied.

(d) Overseas business

The Company and its consolidated subsidiaries engage in overseas real estate development and sales operations.

Revenue is recognized as follows.

(Real estate sales, etc.)

These performance obligations are satisfied at a point in time when the real estate sales transaction is completed, and revenue is recognized at that point in time.

The transaction price is determined by the contract with the customer, and consideration is received based on that contract.

(6) Translation of significant foreign currency assets and liabilities into japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate at the consolidated balance sheet date, and translation differences are recognized in profit or loss.

Assets and liabilities, as well as revenues and expenses, of overseas consolidated subsidiaries are translated into Japanese yen at the spot exchange rate at the consolidated balance sheet date, and translation differences are included in “Foreign currency translation adjustments” in net assets.

(7) Significant hedge accounting policies

Hedge accounting method:

The Company applies the special treatment for interest rate swap transactions.

Hedging instruments and hedged items

Hedging instruments … Interest rate swaps

Hedged items … Interest on borrowings

Hedging policy

The Company and its consolidated subsidiaries use interest rate swaps to hedge against interest rate fluctuations.

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.

(8) Method and period for amortization of goodwill

Goodwill is amortized on a straight-line basis over the period during which its effects are estimated to be realized at the time of occurrence.

However, immaterial amounts of goodwill are charged to income as incurred.

(9) Scope of cash and cash equivalents in the consolidated statement of cash flows

Funds consist of cash on hand, deposits that can be withdrawn at any time, negotiable certificates of deposit with maturities of three months or less from the date of acquisition, and time deposits and other investments that are readily convertible into cash and subject to insignificant risk of changes in value.

(10) Other significant matters for preparing consolidated financial statements

(a) Accounting treatment of deferred assets

Bond issuance costs are expensed in full at the time of payment.

(b) Accounting treatment of interest expenses

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.

(c) Group tax sharing system

The Company has applied Group Tax Sharing System.

(d) Accounting treatment for advertising expenses

The Company and some of its consolidated subsidiaries capitalize advertising expenses and other selling expenses for sales of real estate incurred before delivery in real estate inventories and expense them upon delivery.

3. Significant Accounting Estimates

1. Revenue recognition for contracts where performance obligations are satisfied over time

(1) Amount recorded in the consolidated financial statements for the fiscal years ended March 31, 2025 and 2026

	Millions of yen		*Thousands of U.S. dollars*
	2025	**2026**	**2026**
Completed construction contracts based on the method of recognizing revenue as performance obligations are satisfied over a certain period of time	¥549,509	**¥572,645**	**$3,581,720**

(2) Information on significant accounting estimates related to the identified items

1) Calculation method

For performance obligations that are to be satisfied over a certain period of time and for which a reasonable estimate of the degree of completion can be made, the Company estimates the degree of completion related to the satisfaction of the performance obligation and recognizes revenue based on that degree of completion, unless the period is very short. Progress is measured by the input method based on cost incurred, and the amount of completed work and cost of completed work for the fiscal years ended March 31, 2025 and 2026 are recognized accordingly.

2) Significant assumptions

The total costs on construction contracts that satisfy performance obligation over a certain period of time, which are the basis for revenue recognition in accordance with the percentage-of-completion method, are estimated by using the working budget for each construction contract. Each construction is unique in nature because its basic design and work contents are specifically instructed by each customer and also it requires certain assumptions and judgments made by the in-charge department with expert knowledge and experience in constructions, and thus entails uncertainty. In addition, during a long period of construction, there may be a sharp increase in the costs of construction materials and labor or difficulties in their procurement as well as a decline in production capacity due to an insufficient number of subcontractors and other cooperative companies. Accordingly, the Company continuously revisits the total costs on construction works.

3) Effects on the consolidated financial statements for the next fiscal year

If there is a change in the progress of construction due to the incurrence of additional costs, change in contract amount, etc., it may have a significant impact on the consolidated financial statements for the next fiscal year.

2. Valuation of real estate inventories

(1) Amount recorded in the consolidated financial statements for the fiscal years ended March 31, 2025 and 2026

	Millions of yen		*Thousands of U.S. dollars*
	2025	**2026**	**2026**
Loss on valuation of real estate inventories	¥ 2,800	**¥ 10,953**	**$ 68,507**
Real estate for sale	312,779	**254,820**	**1,593,818**
Costs on real estate business	281,933	**296,445**	**1,854,174**
Real estate for development	36,912	**35,452**	**221,741**

(2) Information on significant accounting estimates related to the identified items

1) Calculation method

If the net realizable value of real estate inventories as of March 31, 2025 and 2026, are lower than the acquisition costs, the net selling price is the value recorded in the consolidated balance sheet and the difference is recorded as loss on valuation of real estate inventories.

2) Significant assumptions

Net realizable value is determined based on estimated selling prices, construction costs, and selling expenses. These estimates reflect factors such as comparable market transactions in the surrounding area, projected selling prices, anticipated condominium demand, and changes in construction costs.

3) Effects on the consolidated financial statements for the next fiscal year

If it becomes necessary to revise the net realizable value due to changes in future economic conditions, etc., such may have a significant impact on the consolidated financial statements for the next fiscal year.

3. Impairment losses on non-current assets
(1) Amount recorded in the consolidated financial statements for the fiscal years ended March 31, 2025 and 2026

	Millions of yen		Thousands of U.S. dollars
	2025	**2026**	**2026**
Impairment losses	¥ 16,861	**¥ 4,079**	**$ 25,513**
Property, plant and equipment	143,883	**142,768**	**892,968**
Intangible assets	12,404	**13,523**	**84,582**

(2) Information on significant accounting estimates related to the identified items
1) Calculation method
For the assets for which it is determined that impairment loss should be recognized as of March 31, 2025 and 2026, the book value is reduced to the recoverable amount and the difference is recorded as impairment loss.
2) Significant assumptions
The recoverable amount is based on net realizable value, future cash flows, and other factors. Significant assumptions are rental income and discount rate. These estimates are based on the property's location, transactions made in vicinity, rents, vacancy rates, and expected yields, etc.
3) Effects on the consolidated financial statements for the next fiscal year
If it becomes necessary to update rental income and discount rate due to changes in future economic conditions, etc., it may have a significant impact on the consolidated financial statements for the next fiscal year.

4. Accounting Standards Issued But Not Yet Effective

On September 13, 2024, the ASBJ issued "Accounting Standard for Leases" (ASBJ Statement No. 34)

On September 13, 2024, the ASBJ issued "Implementation Guidance on Accounting Standard for Leases" (ASBJ Guidance No. 33)

Other amendments to related accounting standards, guidelines for applying accounting standards, practice reports and transfer guidelines.
1) Overview
Similar to international accounting standards, this standard stipulates that all leases by a lessee should be recorded as assets and liabilities.
2) Planned date of application
The Company expects to adopt it from the beginning of the fiscal year ending March 31, 2028.
3) Impact of the application of the accounting standard, etc.
The amount of the impact is under review at present.

5. Change in Presentation

(Consolidated balance sheet)

With respect to "Notes receivable and accounts receivable from completed construction contracts, etc." presented under "Current assets" in the previous consolidated fiscal year, the account name has been changed to "Electronically recorded monetary claims and accounts receivable from completed construction contracts, etc." in the consolidated fiscal year under review, as there was no balance of notes receivable.

(Consolidated statement of cash flows)

Up to the previous consolidated fiscal year, "Foreign exchange losses(gains)," which had been included in "Other" under "Cash flows from operating activities," are presented separately in the consolidated fiscal year under review as its importance has increased. To reflect this change in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, in the consolidated statement of cash flows for the previous consolidated fiscal year, the amount of ¥2,013 million previously presented as "Other" under "Cash flows from operating activities" has been reclassified into "Foreign exchange losses(gains)" of ¥149 million and "Other" of ¥1,864 million.

6. Additional Information

(Performance-linked stock compensation system)

The Company has introduced a Board Benefit Trust (the "BBT 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") and 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 a scheme in which the Company's shares, etc., 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) Accounting treatments for transactions of delivering the Company's own stock through trusts
The Company has continued to apply the method previously adopted in accordance with Paragraph 20 of the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ Practical Issues Task Force No. 30 (revised 2015), March 26, 2015).

(3) Residual shares of the Company held by the BBT Trust
The shares of the Company held by the BBT Trust were appropriated as treasury shares in net assets.
The book values of treasury shares were ¥906 million and ¥879 million ($5,499 thousand) as of March 31, 2025 and 2026, respectively, with the number of shares totaling 627 thousand and 609 thousand shares, respectively. The weighted average number of shares outstanding for the years ended March 31, 2025 and 2026 were 650 thousand and 610 thousand shares, respectively.
The number of shares standing and the weighted average number of shares outstanding are included in treasury shares which are deducted in calculating basic profit attributable to owners of parent per share.

2. ESOP scheme
(1) Outline of the transaction
The ESOP Scheme is a scheme in which the Company's shares, etc. 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) Accounting treatments for transactions of delivering the Company's own stock through trusts
The Company has continued to apply the method previously adopted in accordance with Paragraph 20 of the "Practical Solution on Transactions of Delivering the Company's Own

Stock to Employees etc. through Trusts" (ASBJ Practical Issues Task Force No. 30 (revised 2015), March 26, 2015).

(3) Residual shares of the Company held by the ESOP Trust
The shares of the Company held by the ESOP Trust were appropriated as treasury shares in net assets.

The book values of treasury shares were ¥5,717 million and ¥5,419 million ($33,893 thousand) as of March 31, 2025 and 2026, respectively, with the number of shares totaling 3,933 thousand and 3,728 thousand shares, respectively. The weighted average number of shares outstanding for the years ended March 31, 2025 and 2026 were 3,945 thousand and 3,742 thousand shares, respectively.

The number of shares standing and the weighted average number of shares outstanding are included in treasury shares which are deducted in calculating basic profit attributable to owners of parent per share.

7. Notes to Consolidated Balance Sheets

1. The amounts of the receivables arising from contracts with customers and the contract assets included in the electronically recorded monetary claims, accounts receivable from completed construction contracts and other as of March 31, 2025 and 2026 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2025	**2026**	**2026**
Notes receivable	¥ 873	**¥ –**	**$ –**
Electronically recorded monetary claims-operating	1,063	**622**	**3,889**
Accounts receivable from completed construction contracts	57,144	**49,424**	**309,134**
Contract assets	87,356	**84,958**	**531,387**

2. Investments in non-consolidated subsidiaries and affiliates were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2025	**2026**	**2026**
Investment securities	¥40,018	**¥66,333**	**$414,890**
Other securities	570	**847**	**5,295**

3. Tax purpose reduction entry
The amounts by which the acquisition costs of non-current assets were reduced due to government subsidies, etc. as of March 31, 2025 and 2026 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2025	**2026**	**2026**
Buildings and structures	¥94	**¥141**	**$885**
Machinery, vehicles, tools, furniture and fixtures	41	**41**	**255**
Other intangible assets	–	**1**	**5**

4. Contract liabilities
The amounts of contract liabilities included in advances received on construction contracts in progress, deposits received - real estate business and other current liabilities (other) as of March 31, 2025 and 2026 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2025	**2026**	**2026**
Advances received on construction contracts in progress	¥44,843	**¥63,240**	**$395,546**
Deposits received - real estate business	25,100	**36,305**	**227,074**
Other current liabilities	2,737	**2,760**	**17,262**

5. Contingent liabilities
The Company was contingently liable for guarantees on bank loans and other guarantees as of March 31, 2025 and 2026 as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2025	**2026**	**2026**
Bank borrowings of customers using affiliated housing loan programs 2,547 cases in 2025 and 2,604 cases in 2026	¥ 95,503	**¥110,581**	**$691,647**
Bank borrowings of customers purchasing real estate 1 case	12	**8**	**49**
Bank borrowings of owners of fee-based elderly care facilities 1 case	208	**184**	**1,149**
Borrowings of overseas affiliates 3 cases (Note)	8,435	**8,404**	**52,564**
Total	¥104,157	**¥119,176**	**$745,409**

Note: The total amount of joint and several guarantees is presented.

6. The Company has entered into a commitment line agreement with five financial institutions under a syndicated loan to ensure stable and flexible borrowings for working capital as of March 31, 2025 and 2026. The unused balances of borrowings under this agreement as of March 31, 2025 and 2026 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2025	**2026**	**2026**
Line of credit	¥100,000	**¥100,000**	**$625,469**
Amount utilized	15,000	**–**	**–**
Unused line of credit	¥85,000	**¥100,000**	**$625,469**

8. Notes to Consolidated Statement of Income

1. Amounts of revenue from contracts with customers
As for net sales, revenues arising from contracts with customers and the revenues from other sources are not presented separately from each other. The amounts of revenue from contracts with customers is presented in "20. Revenue Recognition, 1. Disaggregated information on revenues arising from contracts with customers".

2. Provision for loss on construction contracts included in cost of sales for the years ended March 31, 2025 and 2026 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2025	**2026**	**2026**
Cost of sales of completed construction contracts	¥324	**¥ 45**	**$280**
Cost of sales of design and supervision	116	**122**	**762**

3. Loss on valuation of inventories included in cost of sales for the years ended March 31, 2025 and 2026 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2025	**2026**	**2026**
Cost of sales of completed construction contracts	¥ –	**¥ 339**	**$ 2,120**
Cost of sales - real estate	2,800	**10,953**	**$68,507**

4. Selling, general and administrative expenses for the years ended March 31, 2025 and 2026 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2025	**2026**	**2026**
Salaries and allowances	¥27,661	**¥30,144**	**$188,544**
Provision for bonuses	2,742	**3,685**	**23,048**
Provision for bonuses for directors (and other officers)	151	**463**	**2,894**
Provision for share awards	330	**432**	**2,703**
Provision for share awards for directors (and other officers)	88	**244**	**1,526**
Retirement benefit expenses	624	**689**	**4,307**
Rents	4,149	**4,563**	**28,543**
Depreciation	3,052	**3,255**	**20,358**
Amortization	203	**491**	**3,071**

5. Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2025 and 2026 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2025	**2026**	**2026**
Research and development costs	¥4,209	**¥3,890**	**$24,330**

6. Gain on sales of non-current assets for the years ended March 31, 2025 and 2026 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2025	**2026**	**2026**
Buildings and structures	¥ –	**¥ 9**	**$ 56**
Machinery, vehicles, tools, furniture and fixtures	1	**9**	**59**
Land	11	**0**	**1**
	¥12	**¥19**	**$116**

7. Loss on disposal of non-current assets for the years ended March 31, 2025 and 2026 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2025	**2026**	**2026**
Buildings and structures	¥45	**¥ 99**	**$ 620**
Machinery, vehicles, tools, furniture and fixtures	7	**13**	**84**
Leased assets	2	**1**	**5**
Other intangible assets	1	**219**	**1,372**
Other	8	**6**	**36**
	¥64	**¥338**	**$2,117**

8. Impairment losses

The Company and its consolidated subsidiaries recognized impairment losses on the following non-current assets for the years ended March 31, 2025 and 2026.

From the current consolidated fiscal year, the Group has changed the classification of reportable segments. The figures for the previous consolidated fiscal year have been reclassified in accordance with the revised reportable segment classification for comparative purposes.

Previous Fiscal Year (April 1, 2024 – March 31, 2025)

Use	Type	Location	Number of instances
Real estate for construction-related business	Buildings	Suginami-ku, Tokyo	1
Real estate for real estate-related businesss	Buildings, etc.	Kita-ku, Okayama-shi, etc.	3
Assets for real estate-related business	Tools, furniture and fixtures	Nakamura-ku, Nagoya-shi	1
Real estate for condominium management and operation business	Buildings, etc.	Naka-ku, Nagoya-shi, etc.	14
Assets for condominium management and operation business	Tools, furniture and fixtures	Fujisawa-shi, Kanagawa, etc.	3
Real estate for overseas-r elated businesss	Buildings, etc.	Hawaii, United States of America	1

Impairment losses were recognized for real estate for the Construction-Related Business, real estate for the Real Estate-Related Business, assets for the Real Estate-Related Business, real estate for the Condominium Management and Operation Business, assets for the Condominium Management and Operation Business, and real estate for the Overseas Business. These assets are grouped on an individual property basis.

Reflecting factors such as a decline in profitability, the carrying amounts of the above assets were reduced to their recoverable amounts, and the resulting decrease of ¥16,861 million was recognized as an impairment loss and recorded as an extraordinary loss.

The breakdown of the impairment loss is as follows: buildings and structures ¥15,324 million; machinery, vehicles, and tools and equipment ¥1,448 million; and land ¥89 million.

The recoverable amounts of real estate for the Construction-Related Business, real estate for the Real Estate-Related Business, and assets for the Real Estate-Related Business were measured based on net selling prices calculated using real estate appraisals and other valuation methods.

The recoverable amounts of real estate for the Condominium Management and Operation Business and assets for the Condominium Management and Operation Business were measured based on value in use. As the valuation based on future cash flows resulted in a negative amount, the value in use was measured at zero. In addition, as undiscounted future cash flows were negative, the discount rate is not disclosed.

The recoverable amount of real estate for the Overseas Business was measured at fair value.

Current Fiscal Year (April 1, 2025 – March 31, 2026)

Use	Type	Location	Number of instances
Real estate for construction-related business	Buildings, etc.	Aoba-ku, Sendai-shi	1
Assets for construction-related business	Machinery, etc.	Minokamo-shi, Gifu, etc.	9
Real estate for condominium management and operation business	Buildings, etc.	Ichikawa-shi, Chiba, etc.	12
Assets for condominium management and operation business	Tools, furniture and fixtures, etc.	Minami-ku, Saitama-shi, etc.	7
Assets for overseas-related businesss	Tools, furniture and fixtures, etc.	Hawaii, United States of America	1

Impairment losses were recognized for real estate for the Construction-Related Business, assets for the Construction-Related Business, real estate for the Condominium Management and Operation Business, assets for the Condominium Management and Operation Business, and assets for the Overseas Business. In principle, these assets are grouped on an individual property basis, while assets of certain consolidated subsidiaries are grouped on a business unit basis.

Reflecting factors such as a decline in profitability, the carrying amounts of the above assets were reduced to their recoverable amounts, and the resulting decrease of ¥4,079 million ($25,513 thousand) was recognized as an impairment loss and recorded as an extraordinary loss.

The breakdown of the impairment loss is as follows: buildings and structures ¥820 million ($5,129 thousand); machinery, vehicles, and tools and equipment ¥2,365 million ($14,793 thousand); land ¥588 million ($3,677 thousand); lease assets ¥33 million ($209 thousand); other intangible assets ¥269 million ($1,682 thousand); and others ¥4 million ($23 thousand).

The recoverable amounts of real estate for the Construction-Related Business and assets for the Construction-Related Business were measured based on net selling prices calculated using real estate appraisals and other valuation methods.

The recoverable amounts of real estate for the Condominium Management and Operation Business and assets for the Condominium Management and Operation Business were measured based on value in use. As the valuation based on future cash flows resulted in a negative amount, the value in use was measured at zero. In addition, as undiscounted future cash flows were negative, the discount rate is not disclosed.

The recoverable amounts of assets for the Overseas Business were measured at fair value. As the fair value was assessed at zero, the carrying amounts were recognized as impairment losses.

9. Other Comprehensive Income

Reclassification adjustments and tax effects on components of other comprehensive income

For the years ended March 31, 2025 and 2026 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2025	**2026**	**2026**
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ 38	**¥15,927**	**$ 99,619**
Reclassification adjustments for gains (losses) recognized in profit	(191)	**(345)**	**(2,158)**
Amount before tax effect	(153)	**15,582**	**97,461**
Tax effect	(84)	**(4,954)**	**(30,986)**
Valuation difference on available-for-sale securities	(237)	**10,628**	**66,474**
Foreign currency translation adjustment:			
Amount arising during the year	11,836	**1,220**	**7,630**
Remeasurements of defined benefit plans:			
Amount arising during the year	(2,626)	**11,273**	**70,509**
Reclassification adjustments for gains (losses) recognized in profit	438	**717**	**4,484**
Before income tax and deferred tax impact	(2,187)	**11,990**	**74,993**
Income tax and deferred tax impact	687	**(3,786)**	**(23,679)**
Remeasurements of defined benefit plans	(1,501)	**8,204**	**51,314**
Share of other comprehensive income (loss) of affiliates accounted for by the equity method:			
Amount arising during the year	–	**–**	**–**
Total other comprehensive income (loss)	¥10,098	**¥20,052**	**$125,419**

10. Notes to Consolidated Statements of Changes in Equity

FY2024 (April 1, 2024- March 31, 2025)

1. Matters concerning the classes and number of issued shares and treasury shares

	Number of shares (Thousand shares)			
	Beginning of year	Increase in during the year	Decrease in during the year	End of year
Issued shares::				
Common stock	300,794	–	–	300,794
Total	300,794	–	–	300,794
Treasury shares:				
Common stock (Notes:1,2, and 3)	28,009	293	261	28,041
Total	28,009	293	261	28,041

Notes:

1) The number of treasury shares at the beginning of the consolidated fiscal year includes 4,822 thousand shares of the Company held as trust assets under the “Board Benefit Trust (BBT)” and the “Stock Grant ESOP” plans. The number of treasury shares at the end of the consolidated fiscal year includes 4,561 thousand shares of the Company held as trust assets under these plans.

2) The increase of 293 thousand shares in treasury shares of common stock was mainly attributable to the acquisition of 290 thousand shares of treasury stock from subsidiaries based on resolutions of the Board of Directors.

3) The decrease of 261 thousand shares in treasury shares of common stock was mainly attributable to the delivery, etc. of 261 thousand shares of the Company’s stock held as trust assets under the “Board Benefit Trust (BBT)” and the “Stock Grant ESOP” plans.

4) The numbers of shares presented are rounded down to the nearest thousand shares.

2. Matters concerning dividends
(1) Amount of dividends paid

Resolution	Type of shares	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on June 27, 2024 (Note 1)	Common stock	¥12,492	¥45.00	March 31, 2024	June 28, 2024
Board of Directors on November 12, 2024 (Note 2)	Common stock	¥11,104	¥40.00	September 30, 2024	December 6, 2024

Notes:
1) The total amount of dividends includes ¥217 million as dividends to the Company's shares held by the BBT and the Stock-Granting ESOP as trust assets.
2) The total amount of dividends includes ¥182 million as dividends to the Company's shares held by the BBT and the Stock-Granting ESOP as trust assets.

(2) Dividends with record date in the current consolidated fiscal year and effective date in the next consolidated fiscal year

Resolution	Type of shares	Total amount of dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on June 27, 2025 (Note)	Common stock	¥12,479	Retained earnings	¥45.00	March 31, 2025	June 30, 2025

Note: The total amount of dividends includes ¥205 million as dividends to the Company's shares held by the BBT and the Stock-Grant ESOP as trust assets.

FY2025 (April 1, 2025- March 31, 2026)
1. Matters concerning the classes and number of issued shares and treasury shares

	Number of shares (Thousand shares)			
	Beginning of year	Increase in during the year	Decrease in during the year	End of year
Issued shares::				
Common stock	300,794	–	8,314	292,479
Total	300,794	–	8,314	292,479
Treasury shares:				
Common stock (Notes:1,2, 3 and 4)	28,041	8,332	8,538	27,835
Total	28,041	8,332	8,538	27,835

Notes:
1) The decrease of 8,314 thousand shares in issued common stock was due to the cancellation of treasury stock.
2) The number of treasury shares at the beginning of the consolidated fiscal year includes 4,561 thousand shares of the Company held as trust assets under the "Board Benefit Trust (BBT)" and the "Stock Grant ESOP" plans. The number of treasury shares at the end of the consolidated fiscal year includes 4,337 thousand shares of the Company held as trust assets under these plans.
3) The increase of 8,332 thousand shares in treasury shares of common stock was mainly attributable to the acquisition of 8,314 thousand shares of treasury stock based on resolutions of the Board of Directors.
4) The decrease of 8,538 thousand shares in treasury shares of common stock was mainly attributable to the cancellation of 8,314 thousand shares of treasury stock.
5) The numbers of shares presented are rounded down to the nearest thousand shares.

2. Matters concerning dividends
(1) Amount of dividends paid

Resolution	Type of shares	Total amount of dividend (Millions of yen)	Total amount of dividend (Thousands of U.S. dollars)	Dividend per share (Yen)	Dividend per share (U.S. dollars)	Record date	Effective date
Annual general meeting of shareholders on June 27, 2025 (Note1)	Common stock	**¥12,479**	**$78,053**	**¥45.00**	**$0.28**	March 31, 2025	June 30, 2025
Board of Directors on November 12, 2025 (Note 2)	Common stock	**¥12,231**	**$76,501**	**¥45.00**	**$0.28**	September 30, 2025	December 8, 2025

Notes:
1) The total amount of dividends includes ¥205 million ($1,284 thousand) as dividends to the Company's shares held by the BBT and the Stock-Grant ESOP as trust assets.
2) The total amount of dividends includes ¥195 million ($1,221 thousand) as dividends to the Company's shares held by the BBT and the Stock-Grant ESOP as trust assets.

(2) Dividends with record date in the current consolidated fiscal year and effective date in the next consolidated fiscal year
The company plans to submit the following proposal to the Ordinary General Meeting of Shareholders to be held on June 26, 2026.

Resolution	Type of shares	Total amount of dividend (Millions of yen)	Total amount of dividend (Thousands of U.S. dollars)	Source of dividends	Dividend per share (Yen)	Dividend per share (U.S. dollars)	Record date	Effective date
Annual meeting of shareholders on June 26, 2026 (Note)	Common stock	**¥13,449**	**$84,120**	Retained earnings	**¥50.00**	**$0.31**	March 31, 2026	June 29, 2026

Note: The total amount of dividends includes ¥217 million ($1,356 thousand) as dividends to the Company's shares held by the BBT and the Stock-Grant ESOP as trust assets.

11. Cash and Cash Equivalents

1. A reconciliation between cash and cash equivalents on the consolidated statement of cash flows and the cash and deposits on the consolidated balance sheet as of March 31, 2025 and 2026 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	**2026**	**2026**
Cash and deposits	¥235,976	**¥279,968**	**$1,751,115**
Time deposits with a deposit period of more than three months	(35)	**(40)**	**(248)**
Saving accounts for insurance agency	(143)	**(148)**	**(928)**
Negotiable certificates of deposit, which are included in securities	2,518	**10,976**	**68,651**
Restricted deposit	(2,517)	**(2,622)**	**(16,399)**
Cash and cash equivalents	¥235,798	**¥288,134**	**$1,802,192**

2. Major components of assets and liabilities of companies newly becoming consolidated subsidiaries through acquisition of shares

FY2024 (April 1, 2024- March 31, 2025)
Not applicable.

FY2025 (April 1, 2025- March 31, 2026)
The breakdown of assets and liabilities as of the date of initial consolidation resulting from the acquisition of shares and the consolidation of Wood Friends Co., Ltd. and 4 of its subsidiaries, as well as the relationship between the acquisition cost of shares of the company and the net cash outflow for the acquisition, are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥10,227**	**$63,967**
Non-current assets	**8,831**	**55,235**
Goodwill	**288**	**1,801**
Current liabilities	**(9,003)**	**(56,311)**
Non-current liabilities	**(6,942)**	**(43,420)**
Non-controlling interests	**(1,133)**	**(7,087)**
Acquisition cost of shares	**2,267**	**14,179**
Cash and cash equivalents	**(1,700)**	**(10,633)**
Net cash outflow from acquisition of shares of a subsidiary accompanied by a change in the scope of consolidation	**¥ 567**	**$ 3,545**

12. Lease Transactions

1. Finance lease transactions without transfer of ownership
   a) Details of leased assets
      Non-current assets are mainly assets for the "Condominium management and operation business."

   b) Depreciation method of leased assets
      Please refer to to Note **2. Significant Matters Serving as the Basis for Preparation of Consolidated Financial Statementss**, 4. Matters Related to Significant Accounting Policiesin, (2) Depreciation Methods for Important Depreciable Assets on page 14.

2. Operating lease transactions
(As lessee)
Outstanding future minimum lease payments under noncancelable operating leases as of March 31, 2025 and 2026 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	**2026**	**2026**
Within one year	¥ 1,364	**¥ 1,965**	**$ 12,289**
Over one year	16,050	**18,294**	**114,424**
Total	¥17,414	**¥20,259**	**$126,714**

(As lessor)
Outstanding future minimum lease income under noncancelable operating leases as of March 31, 2025 and 2026 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	**2026**	**2026**
Within one year	¥ 2,547	**¥ 2,974**	**$ 18,600**
Over one year	15,958	**16,330**	**102,140**
Total	¥18,505	**¥19,304**	**$120,740**

13. Financial Instruments

1. Overview
(1) Policy for financial instruments
The Company and its consolidated subsidiaries limit our investments to highly secure financial assets, and procure funds through issuance of straight bonds 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
Electronically recorded monetary claims, accounts receivable from completed construction contracts and other, which are trade receivables of the Company and its consolidated subsidiaries, are exposed to credit risks of customers. 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 payable, accounts payable for construction contracts and other and electronically recorded obligations - operating, which are trade payables, are mostly due within a year. Bonds payable, 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.

(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 15. Derivative Transactions are not necessarily indicative of the actual market risk involved in derivative transactions.

2. Fair values of financial instruments

The carrying value of financial instruments on the consolidated balance sheet as of March 31, 2025 and 2026, and estimated fair value are shown in the following tables.

	Millions of yen		
	2025		
	Carrying value	Fair value	Difference
Investment securities (Note 2)	¥ 31,907	¥ 31,907	¥ –
Long-term loans receivable	4,483		
Allowance for doubtful accounts (Note 3)	(23)		
Sub-total	4,460	4,479	18
Total	¥ 36,367	¥ 36,385	¥ 18
Bonds payable	80,000	77,304	(2,696)
Long-term borrowings	265,000	246,382	(18,618)
Total	¥345,000	¥323,686	¥(21,314)

Note 1: Information on cash and deposits, electronically recorded monetary claims, accounts receivable from completed construction contracts and other, securities, notes payable, accounts payable for construction contracts and other, electronically recorded obligations - operating, short-term borrowings, current portion of long-term borrowings, current portion of bonds payable and income taxes payable is omitted because these are settled in a short period of time and their carrying value approximates fair value.

Note 2: Securities, etc. that do not have market prices are not included in the preceding table. Details on such securities, etc., recorded on the consolidated balance sheet are below:

	Millions of yen
	2025
Equity securities of affiliates	¥40,588
Unlisted securities	22,629

Note 3: We have deducted the allowance for doubtful accounts that is individually provided for long-term loans.

Note 4: Investments in partnerships, etc. and business entities equivalent to these for which the equity equivalents are recorded as a net amount on the consolidated balance sheet are omitted. The amount was ¥7,650 million as of March 31, 2025.

	Millions of yen		
	2026		
	Carrying value	Fair value	Difference
Investment securities (Note 2)	**¥ 49,671**	**¥ 49,671**	**¥ –**
Long-term loans receivable	**6,719**		
Allowance for doubtful accounts (Note 3)	**(22)**		
Sub-total	**6,697**	**6,648**	**(49)**
Total	**¥ 56,368**	**¥ 56,319**	**¥ (49)**
Bonds payable	**80,000**	**76,763**	**(3,237)**
Long-term borrowings	**335,000**	**299,438**	**(35,562)**
Total	**¥415,000**	**¥376,201**	**¥(38,799)**

	Thousands of U.S. dollars		
	2026		
	Carrying value	Fair value	Difference
Investment securities (Note 2)	**$ 310,679**	**$ 310,679**	**$ –**
Long-term loans receivable	**42,023**		
Allowance for doubtful accounts (Note 3)	**(135)**		
Sub-total	**41,888**	**41,578**	**(309)**
Total	**$ 352,567**	**$ 352,258**	**$ (309)**
Bonds payable	**500,375**	**480,128**	**(20,247)**
Long-term borrowings	**2,095,321**	**1,872,891**	**(222,431)**
Total	**$2,595,697**	**$2,353,019**	**$(242,678)**

Note 1: Information on cash and deposit, electronically recorded monetary claims, accounts receivable from completed construction contracts and other, securities, notes payable, accounts payable for construction contracts and other, electronically recorded obligations - operating, short-term borrowings, current portion of long-term borrowings and income taxes payable is omitted because these are settled in a short period of time and their carrying value approximates fair value.

Note 2: Securities, etc. that do not have market prices are not included in the preceding table. Details on such securities, etc., recorded on the consolidated balance sheets are below:

	Millions of yen	Thousands of U.S. dollars
	2026	2026
Equity securities of affiliates	¥67,179	$420,185
Unlisted securities	21,655	135,444

Note 3: We have deducted the allowance for doubtful accounts that is individually provided for long-term loans.

Note 4: Investments in partnerships, etc. and business entities equivalent to these for which the equity equivalents are recorded as a net amount on the consolidated balance sheet are omitted. The amount was ¥7,807 million ($48,832 thousand) as of March 31, 2026.

(1) Redemption schedule for monetary receivables and securities with maturity dates at March 31, 2025 and 2026

	Millions of yen			
	2025			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥235,976	¥ –	¥ –	¥ –
Notes receivable and electronically recorded monetary claims	1,936	–	–	–
Accounts receivable from completed construction contracts	119,739	26,687	245	–
Securities				
Negotiable certificates of deposits	3,305	–	–	–
Long-term loans receivable	106	3,750	514	113
Total	¥361,061	¥30,437	¥759	¥113

	Millions of yen			
	2026			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥279,933	¥ –	¥ –	¥ –
Electronically recorded monetary claims	622	–	–	–
Accounts receivable from completed construction contracts	115,112	21,839	–	–
Securities				
Negotiable certificates of deposits	11,760	–	–	–
Long-term loans receivable	112	5,977	566	64
Total	¥407,538	¥27,816	¥566	¥64

	Thousands of U.S. dollars			
	2026			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	$1,750,894	$ –	$ –	$ –
Electronically recorded monetary claims	3,889	–	–	–
Accounts receivable from completed construction contracts	719,990	136,594	–	–
Securities				
Negotiable certificates of deposits	73,555	–	–	–
Long-term loans receivable	698	37,384	3,540	400
Total	$2,549,026	$173,978	$3,540	$400

(2) Repayment schedule for short-term borrowings, bonds payable, and long-term borrowings at March 31, 2025 and 2026

	Millions of yen			
	2025			
	Short-term borrowings	Bonds payable	Long-term borrowings	Total
Due within 1 year	¥15,000	¥40,000	¥ 20,000	¥ 75,000
Due after 1 year through 2 years	–	–	10,000	10,000
Due after 2 years through 3 years	–	20,000	20,000	40,000
Due after 3 years through 4 years	–	30,000	10,000	40,000
Due after 4 years through 5 years	–	10,000	25,000	35,000
Due after 5 years	–	20,000	200,000	220,000

	Millions of yen			
	2026			
	Short-term borrowings	Bonds payable	Long-term borrowings	Total
Due within 1 year	**¥–**	**¥ –**	**¥ 10,000**	**¥ 10,000**
Due after 1 year through 2 years	**–**	**20,000**	**20,000**	**40,000**
Due after 2 years through 3 years	**–**	**30,000**	**10,000**	**40,000**
Due after 3 years through 4 years	**–**	**10,000**	**30,000**	**40,000**
Due after 4 years through 5 years	**–**	**20,000**	**26,400**	**46,400**
Due after 5 years	**–**	**–**	**248,600**	**248,600**

	Thousands of U.S. dollars			
	2026			
	Short-term borrowings	Bonds payable	Long-term borrowings	Total
Due within 1 year	**$–**	**$ –**	**$ 62,547**	**$ 62,547**
Due after 1 year through 2 years	**–**	**125,094**	**125,094**	**250,188**
Due after 2 years through 3 years	**–**	**187,641**	**62,547**	**250,188**
Due after 3 years through 4 years	**–**	**62,547**	**187,641**	**250,188**
Due after 4 years through 5 years	**–**	**125,094**	**165,124**	**290,218**
Due after 5 years	**–**	**–**	**1,554,916**	**1,554,916**

3. Breakdown of financial instrument fair value by level:

The fair value of financial instruments is categorized into the following three levels based on the observability and significance of the inputs for measuring the fair value.

Level 1 fair value: Fair values measured by using market prices of applicable assets or liabilities formed in active markets as observable inputs for fair value measurement.

Level 2 fair value: Fair values measured by using the observable inputs other than those in Level 1.

Level 3 fair value: Fair value calculated using inputs that are unobservable. In cases where non-observable inputs relating to fair value measurement are used and multiple inputs are used that have a significant impact on the measurement of fair value, the fair value is categorized into the lowest priority level of fair value measurement hierarchy within the level of each input used in the measurement.

(1) Financial instruments recorded on the consolidated balance sheets at fair value

	Millions of yen			
	2025			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Other securities				
Equity securities	¥27,004	¥–	¥ –	¥27,004
Others	–	–	4,903	4,903
Total	¥27,004	¥–	¥4,903	¥31,907

	Millions of yen			
	2026			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Other securities				
Equity securities	**¥42,898**	**¥–**	**¥ –**	**¥42,898**
Bonds	**–**	**–**	**2,283**	**2,283**
Others	**–**	**–**	**4,491**	**4,491**
Total	**¥42,898**	**¥–**	**¥6,774**	**¥49,671**

	Thousands of U.S. dollars			
	2026			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Other securities				
Equity securities	**$268,313**	**$–**	**$ –**	**$268,313**
Bonds	**–**	**–**	**14,279**	**14,279**
Others	**–**	**–**	**28,088**	**28,088**
Total	**$268,313**	**$–**	**$42,367**	**$310,679**

(2) Financial instruments other than those recorded at fair value on the consolidated balance sheets.

	Millions of yen			
	2025			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	¥–	¥ 4,479	¥–	¥ 4,479
Total assets	–	4,479	–	4,479
Bonds payable	–	77,304	–	77,304
Long-term borrowings	–	246,382	–	246,382
Total liabilities	¥–	¥323,686	¥–	¥323,686

	Millions of yen			
	2026			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	**¥–**	**¥ 6,648**	**¥–**	**¥ 6,648**
Total assets	**–**	**6,648**	**–**	**6,648**
Bonds payable	**–**	**76,763**	**–**	**76,763**
Long-term borrowings	**–**	**299,438**	**–**	**299,438**
Total liabilities	**¥–**	**¥376,201**	**¥–**	**¥376,201**

	Thousands of U.S. dollars			
	2026			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	**$–**	**$ 41,578**	**$–**	**$ 41,578**
Total assets	**–**	**41,578**	**–**	**41,578**
Bonds payable	**–**	**480,128**	**–**	**480,128**
Long-term borrowings	**–**	**1,872,891**	**–**	**1,872,891**
Total liabilities	**$–**	**$2,353,019**	**$–**	**$2,353,019**

Note 1: Explanation of Assessment Methods Used in Fair Value Measurement and Inputs for Fair Value Measurement

Investment securities
Investment securities and publicly traded shares are valued using the market price. Since publicly traded shares are traded on active markets, their fair value is categorized as Level 1. Since some preferred equity securities, etc. regulated by the Act on Securitization of Assets have a fair value measured using non-observable inputs for fair value measurement, they are categorized as Level 3.

Long-term loans receivable
Long-term loans receivable are categorized by period, and their fair value is calculated using the discounted present value method, based on the interest rate determined by taking into account credit spreads and appropriate indicators such as future cash flow, government bond yields, etc. for each credit management-related credit risk classification, and they are categorized as Level 2. Furthermore, the fair value of doubtful accounts receivable is calculated by similarly using the discounted present value of projected cash flow based on the discount rate or using the discounted present value method based on the anticipated return on investment, etc., and since the effect of non-observable inputs on fair value is not significant, they are categorized as Level 2.

Long-term borrowings
The fair value is calculated using the discounted present value method, based on the total amount of principal and interest and the interest rate factoring in the remaining term and credit risks, and they are categorized as Level 2. For variable-interest long-term loans payable subject to special treatment as interest rate swaps, fair value is measured 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 expected interest rate if similar new borrowings were entered into.

Bonds payable
The fair value of bonds payable is measured based on the market price. Since straight bonds are not necessarily traded on active markets even though they have a market price, they are categorized as Level 2.

Note 2: Information on Financial Assets and Financial Liabilities Classified as Level 3 Fair Value Recorded on Consolidated Balance Sheets Based on Fair Value

Since the financial instruments categorized as Level 3 were not significant, this information has been omitted.

14. Securities and Investment Securities

1. Securities classified as held-to-maturity debt securities as of March 31, 2025 and 2026 consisted of the following:

	Millions of yen					
	2025			**2026**		
	Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value	¥ –	¥ –	¥–	**¥ –**	**¥ –**	**¥–**
Securities whose fair value does not exceed their carrying value	3,305	3,305	–	**11,760**	**11,760**	**–**
Total	¥3,305	¥3,305	¥–	**¥11,760**	**¥11,760**	**¥–**

	Thousands of U.S. dollars		
	2026		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value	**$ –**	**$ –**	**$–**
Securities whose fair value does not exceed their carrying value	**73,555**	**73,555**	**–**
Total	**$73,555**	**$73,555**	**$–**

2. Other securities whose fair value is available as of March 31, 2025 and 2026 consisted of the following:

	Millions of yen					
	2025			**2026**		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥26,071	¥13,303	¥12,769	**¥42,898**	**¥14,304**	**¥28,594**
Bonds	–	–	–	**2,283**	**2,133**	**150**
Other	4,903	3,155	1,748	**3,495**	**2,289**	**1,205**
Sub-total	¥30,975	¥16,458	¥14,517	**¥48,675**	**¥18,726**	**¥29,949**
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	¥ 932	¥ 1,001	¥ (69)	**¥ –**	**¥ –**	**¥ –**
Bonds	–	–	–	**–**	**–**	**–**
Other	–	–	–	**996**	**996**	**–**
Sub-total	¥ 932	¥ 1,001	¥ (69)	**¥ 996**	**¥ 996**	**¥ –**
Total	¥31,907	¥17,459	¥14,448	**¥49,671**	**¥19,723**	**¥29,949**

	Thousands of U.S. dollars		
	2026		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	**$268,313**	**$ 89,466**	**$178,846**
Bonds	**14,279**	**13,342**	**937**
Other	**21,857**	**14,320**	**7,538**
Sub-total	**$304,448**	**$117,128**	**$187,320**
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	**$ –**	**$ –**	**$ –**
Bonds	**–**	**–**	**–**
Other	**6,231**	**6,231**	**–**
Sub-total	**$ 6,231**	**$ 6,231**	**$ –**
Total	**$310,679**	**$123,359**	**$187,320**

3. Other securities sold for the years ended March 31, 2025 and 2026 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	**2026**	**2026**
Equity securities:			
Proceeds from sales	¥601	**¥103**	**$ 644**
Gain on sales	191	**90**	**561**
Loss on sales	–	**–**	**–**
Other:			
Proceeds from sales	–	**708**	**4,426**
Gain on sales	–	**–**	**–**
Loss on sales	–	**287**	**1,793**

4. Impairment of investment securities
For the fiscal year ended March 31, 2025
The Company recorded impairment losses of ¥2,990 million on investment securities.

For securities whose fair values at the end of the fiscal year have declined by 50% or more compared with their acquisition cost, loss on impairment is recorded without exception. For securities whose fair values at the end of the fiscal year have declined by 30% or more but less than 50% compared with their acquisition cost, loss on impairment is recorded as deemed necessary in consideration of the possibility of their recoverability.

For the fiscal year ended March 31, 2026
Not applicable.

15. Derivative Transactions
Derivative transactions for which hedge accounting is applied were as follows:

			As of March 31, 2025		
Hedge accounting method	Hedging instrument	Hedged item	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 borrowings	¥182,650	¥182,650	(Note)

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

			As of March 31, 2026		
Hedge accounting method	Hedging instrument	Hedged item	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 borrowings	**¥230,100**	**¥230,100**	(Note)
			(Thousands of U.S. dollars)		
			$1,439,204	**$1,439,204**	

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

There were no derivative transactions for which hedge accounting were not applied as of March 31, 2025 and 2026.

16. Retirement Benefit Plans
The Company and its consolidated subsidiaries have a corporate pension plan as a defined benefit plan, and have an optional defined contribution pension plan as a defined contribution pension plan.

Some consolidated subsidiaries have adopted a lump-sum retirement allowance plan, a multi-employer employees' pension fund plan, a smaller enterprise retirement allowance mutual aid plan, and a defined contribution pension plan.

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.

1. The changes in the retirement benefit obligation during the years ended March 31, 2025 and 2026 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	**2026**	**2026**
Balance at the beginning of the year	¥52,652	**¥52,882**	**$330,761**
Service cost	2,761	**2,562**	**16,028**
Interest cost	502	**503**	**3,149**
Actuarial gain or loss	135	**(8,545)**	**(53,446)**
Retirement benefit paid	(3,080)	**(2,980)**	**(18,639)**
Other	(88)	**6**	**40**
Balance at the end of the year	¥52,882	**¥44,429**	**$277,892**

Note: In calculating retirement benefit obligations, some consolidated subsidiaries use the simplified method.

2. The changes in plan assets during the years ended March 31, 2025 and 2026 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	**2026**	**2026**
Balance at the beginning of the year	¥80,237	**¥79,407**	**$496,666**
Expected return on plan assets	1,957	**1,937**	**12,118**
Actuarial gain or loss	(2,490)	**2,728**	**17,063**
Contributions by the Company	2,391	**2,380**	**14,883**
Retirement benefits paid	(3,017)	**(2,889)**	**(18,071)**
Other	329	**344**	**2,149**
Balance at the end of the year	¥79,407	**¥83,906**	**$524,809**

3. The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2025 and 2026.

	Millions of yen		Thousands of U.S. dollars
	2025	**2026**	**2026**
Funded retirement benefit obligation	¥51,000	**¥ 42,362**	**$ 264,963**
Plan assets at fair value	(79,407)	**(83,906)**	**(524,809)**
	(28,407)	**(41,544)**	**(259,846)**
Unfunded retirement benefit obligation	1,883	**2,067**	**12,929**
Retirement benefit liability in the balance sheet	(26,525)	**(39,477)**	**(249,917)**
Retirement benefit liability	1,946	**2,083**	**13,031**
Asset for retirement benefits	(28,471)	**(41,560)**	**(259,948)**
Retirement benefit liability in the balance sheet	¥(26,525)	**¥(39,477)**	**$(246,917)**

4. The components of retirement benefit expense for the years ended March 31, 2025 and 2026 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	**2026**	**2026**
Service cost	¥2,480	**¥ 2,307**	**$ 14,429**
Interest cost	502	**503**	**3,149**
Expected return on plan assets	(1,957)	**(1,937)**	**(12,118)**
Amortization of actuarial loss	447	**726**	**4,540**
Amortization of past service cost	(9)	**(9)**	**(55)**
Retirement benefit expense	¥1,463	**¥ 1,590**	**$ 9,944**

Notes:
1) Service cost does not include the amounts contributed by employees with respect to welfare pension fund plans.
2) Retirement benefit expenses calculated under the simplified method, as well as contributions to the Smaller Enterprise Retirement Allowance Mutual Aid Plan and employees' pension fund plans, are included in "Service cost".

5. The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2025 and 2026 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	**2026**	**2026**
Past service cost	¥ (9)	**¥ (9)**	**$ (55)**
Actuarial gain or loss	(2,179)	**11,999**	**75,049**
Total	¥(2,187)	**¥11,990**	**$74,993**

6. The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2025 and 2026 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	**2026**	**2026**
Unrecognized past service cost	¥ (13)	**¥ (4)**	**$ (26)**
Unrecognized actuarial gain or loss	1,689	**(10,309)**	**(64,482)**
Total	¥1,676	**¥(10,314)**	**$(64,508)**

7.The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2025 and 2026 were as follows:

	2025	**2026**
Bonds	55%	**54%**
Stocks	17%	**18%**
Alternative investments (Note)	21%	**22%**
Life insurance general accounts, etc.	7%	**6%**
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:

	2025	**2026**
Discount rates	0.4% - 1.1%	**0.4% - 2.6%**
Expected rates of return on plan assets	1.0% - 2.5%	**1.0% - 2.5%**

Note: The projected salary increase rate is omitted because it is not used in the actuarial calculation of the retirement benefit plan mainly adopted by the Company.

9. Defined contribution plan

The required contributions to the defined contribution plans of consolidated subsidiaries for the years ended March 31, 2025 and 2026 were ¥53 million and ¥49 million ($308 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, 2025 and 2026 were ¥44 million and ¥47 million ($353 thousand), respectively.

The most recent funded status was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Pension assets	¥4,463	¥4,521	$30,235
Total of the amount of actuarial obligations under pension funding program and minimum policy reserves	4,757	4,739	31,692
Difference	¥ (294)	¥ (218)	$ (1,457)

The U.S. dollar amounts are calculated by the prevailing exchange rate on March 31, 2025, which was ¥149.52=U.S.$1.

The average contribution ratio to total contributions made to all plans for the years ended March 31, 2024 and 2025 were 5.86% and 6.05%, respectively. This ratio does not accord with the actual contribution ratio of the Company group.

The differences of ¥(294) million as described above was due to past service cost under pension funding programs ¥(655) million and special reserve fund ¥361 million for the year ended March 31, 2024.

The differences of ¥(218) million ($(1,457) thousand) as described above was due to past service cost under pension funding programs ¥(431) million ($(2,885) thousand) and special reserve fund ¥214 million ($1,429 thousand) for the year ended March 31, 2025.

Past service costs under this program are amortized using the straight-line method (9 years and 6 months).

17. Income Taxes

1. The significant components of deferred tax assets and liabilities as of March 31, 2025 and 2026 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2025	**2026**	**2026**
Deferred tax assets:			
Allowance for doubtful accounts	¥ 269	**¥ 323**	**$ 2,023**
Accrued business tax	1,087	**1,527**	**9,552**
Provision for warranties for completed construction	1,598	**1,507**	**9,426**
Provision for bonuses	2,497	**3,122**	**19,526**
Retirement benefits liability	655	**695**	**4,347**
Loss on valuation of real estate for sale (Note 1)	8,319	**10,460**	**65,425**
Impairment losses	4,845	**5,028**	**31,449**
Loss on valuation of investment securities	946	**922**	**5,767**
Revaluation of assets on consolidation	6,767	**6,776**	**42,381**
Provision for share awards	1,531	**1,710**	**10,696**
Cumulative effects of changes in accounting policies	2,391	**1,936**	**12,112**
Depreciation in excess	1,912	**3,391**	**21,209**
Capital gains	863	**624**	**3,901**
Tax loss carry forwards (Note 3)	8,194	**14,069**	**87,998**
Other	15,266	**16,326**	**102,112**
Sub-total	57,142	**68,417**	**427,924**
Valuation allowance pertaining to tax loss carry forwards	(8,162)	**(14,037)**	**(87,797)**
Valuation allowance pertaining to total deductible temporary difference	(27,168)	**(29,585)**	**(185,044)**
Valuation allowances (sub-total) (Note 2)	(35,331)	**(43,622)**	**(272,840)**
Total deferred tax assets	21,811	**24,795**	**155,084**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(4,272)	**(9,226)**	**(57,706)**
Prepaid pension cost	(8,999)	**(13,152)**	**(82,265)**
Revaluation of assets on consolidation	(225)	**(88)**	**(551)**
Other	(1,532)	**(2,141)**	**(13,394)**
Total deferred tax liabilities	(15,027)	**(24,608)**	**(153,916)**
Net deferred tax assets	¥ 6,784	**¥ 187**	**$ 1,169**

Notes:

1) Loss on valuation of real estate for sale includes ¥1,802 million and ¥1,790 million as of March 31, 2025 and 2026, respectively, for properties that were reclassified from “Current Assets” to “Non-current Assets” following a change in holding purpose.

2) Valuation allowances increased by ¥8,291 million ($51,858 thousand). The increase was mainly due to an increase in loss on valuation of real estate inventories and an increase in tax loss carryforwards at the Company's consolidated subsidiaries.

3) Tax loss carry forwards and related deferred tax assets expire as follows:
As of March 31, 2025

	Millions of yen						
	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Tax loss carry forwards (a)	¥–	¥2	¥–	¥22	¥516	¥7,655	¥8,194
Valuation allowance	–	(0)	–	(22)	(490)	(7,650)	(8,162)
Deferred tax assets	–	1	–	0	26	4	32 (b)

(a) Tax loss carry forwards are shown as the amounts multiplied by the statutory tax rate.

(b) The Company recorded deferred tax assets of ¥32 million for tax loss carry forwards of ¥8,194 million (the amount multiplied by the statutory tax rate). The said deferred tax assets of ¥32 million represent the amount at which the Company recognized for part of the tax loss carry forwards totaling ¥8,194 million for HASEKO America,Inc. and 7 other consolidated subsidiaries. The deferred tax assets recognized for the tax carry forwards resulted from losses of ¥1 million for the fiscal year ended March 31, 2018, ¥0 million for the fiscal year ended March 31, 2019, ¥26 million for the fiscal year ended March 31, 2020, ¥4 million for the fiscal year ended March 31, 2023, respectively (the amount multiplied by the statutory tax rate for each), as calculated by Hosoda Corporation and 3 other companies. As such, the Company determined that the amounts are recoverable in view of anticipated taxable income in the future, and did not recognize valuation allowances for them.

As of March 31, 2026

	Millions of yen						
	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Tax loss carry forwards (a)	**¥0**	**¥–**	**¥ 9**	**¥ 464**	**¥ 194**	**¥ 13,402**	**¥ 14,069**
Valuation allowance	**–**	**–**	**(8)**	**(441)**	**(186)**	**(13,402)**	**(14,037)**
Deferred tax assets	**0**	**–**	**1**	**23**	**8**	**–**	**32** (b)

	Thousands of U.S. dollars						
	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Tax loss carry forwards (a)	**$2**	**$ –**	**$ 53**	**$ 2,902**	**$ 1,213**	**$ 83,827**	**$ 87,998**
Valuation allowance	**–**	**–**	**(47)**	**(2,761)**	**(1,161)**	**(83,827)**	**(87,797)**
Deferred tax assets	**2**	**–**	**6**	**141**	**52**	**–**	**201** (b)

(a) Tax loss carry forwards are shown as the amounts multiplied by the statutory tax rate.

(b) The Company recorded deferred tax assets of ¥32 million ($201 thousand) for tax loss carry forwards of ¥14,069 million ($87,998 thousand) (the amount multiplied by the statutory tax rate). The said deferred tax assets of ¥32 million ($201 thousand) represent the amount at which the Company recognized for part of the tax loss carry forwards totaling ¥14,069 million ($87,998 thousand) for HASEKO America,Inc. and 7 other consolidated subsidiaries. The deferred tax assets recognized for the tax carry forwards resulted from losses of ¥0 million ($2 thousand) for the fiscal year ended March 31, 2018, ¥1 million ($6 thousand) for the fiscal year ended March 31, 2019, ¥23 million ($141 thousand) for the fiscal year ended March 31, 2020, ¥8 million ($52 thousand) for the fiscal year ended March 31, 2021, respectively (the amount multiplied by the statutory tax rate for each), as calculated by Hosoda Corporation and 2 other companies. As such, the Company determined that the amounts are recoverable in view of anticipated taxable income in the future, and did not recognize valuation allowances for them.

2. The reconciliation of the statutory tax rate to the effective income tax rate for the year ended March 31, 2025 and 2026 were as follows:

	2025	**2026**
Statutory tax rate	30.6%	**30.6%**
(Adjustment)		
Permanent non-deductible expenses	1.7	**2.2**
Permanent non-taxable items	(2.0)	**(0.9)**
Per capita inhabitant tax	0.4	**0.3**
Increase in valuation allowances	12.3	**6.3**
Tax credit for salary growth	(3.9)	**(1.2)**
Expiration of tax loss carry forwards	0.1	**0.2**
Consolidation goodwill	4.0	**1.6**
Tax rate differences between the Company and consolidated subsidiaries	0.1	**–**
Other	(0.0)	**(0.4)**
Effective income tax rate	43.2%	**38.6%**

3. Accounting for corporate income taxes, local corporate taxes and related tax effect accounting
The Company and its domestic consolidated subsidiaries have applied the Group Tax Sharing System and account for and disclose corporate tax and local corporate tax, as well as tax effect accounting related thereto, in accordance with the "Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System" (PITF No. 42, August 12, 2021).

18. Business Combinations and Related Matters

(Business Combination through Acquisition)

The Company acquired 1,317,741 shares of common stock of Wood Friends Co., Ltd. through a tender offer on June 3, 2025. As a result, the Company's voting rights ratio in Wood Friends Co., Ltd. reached 90.38%, and accordingly, the Company made Wood Friends Co., Ltd. a consolidated subsidiary as of the same date.

Subsequently, the Company executed a demand for share sale pursuant to Article 179, paragraph (1) of the Companies Act, and as of July 15, 2025, made Wood Friends Co., Ltd. a wholly owned subsidiary of the Company.

1. Overview of business combination

(1) Name and Business Description of the Acquired Company

Name of the acquired company:	WOOD FRIENDS Co., Ltd. and its four subsidiaries
Business description:	Planning, design, construction and sale of buildings, and other businesses related to living environments

(2) Main reason for the business combination

The Company considers the promotion of wooden construction and the use of wood as an important initiative to simultaneously achieve efforts toward building a sustainable society and enhancing the quality of living spaces, believing that such promotion not only has environmental benefits such as CO_2 reduction but also contributes to the physical and mental health and well-being of residents. Based on this view, the Company has been working to realize wooden common facilities in condominiums and its proprietary hybrid wooden housing that combines reinforced concrete structures with wooden construction.

Meanwhile, Wood Friends Co., Ltd. has established an integrated manufacturing and retail model covering forestry, construction, and sales, aiming to supply domestically produced timber at appropriate prices on a stable basis. In addition, it focuses on realizing a “wood resource cascade business,” which aims to properly circulate regional forestry resources and make full and effective use of wood resources.

By adding the Wood Friends Group under the Company's group umbrella, the Company determined that this would support its initiatives, and accordingly proceeded with the business combination.

(3) Date of business combination

Date of share acquisition via a tender offer:	June 3, 2025 (Deemed acquisition date: May 31, 2025)
Date of share acquisition via share buyout:	July 15, 2025 (Deemed acquisition date: June 1, 2025)

(4) Legal forms of business combination
Acquisition of shares for cash consideration

(5) Name of the combined entity
There is no change.

(6) Acquired voting interest
1) Acquisition via a tender offer: 90.38%
2) Acquisition via share buyout after the day of business combination: 9.62%
3) Acquisition after share buyout: 100%

(7) Key reasons for determining the acquiring entity
This is attributable to the Company's acquisition of shares for cash consideration.

2. Period of performance of the acquired company included in the consolidated financial statements
From June 1, 2025 to March 31, 2026

3. Purchase price of the acquired entity and the breakdown of consideration by type

			Millions of yen	*Thousands of U.S. dollars*
Consolidation transferred	Business combination	Cash and deposits	**¥2,267**	**$14,176**
	Share buyout	Cash and deposits	**241**	**1,508**
Purchase price			**¥2,508**	**$15,684**

4. Details and amounts of major acquisition-related costs
Advisory fees and other acquisition-related costs ¥165 million ($1,031 thousand)

5. Amount of goodwill recognized, reasons for its recognition, amortization method, and amortization period
(1) Amount of goodwill recognized
¥288 million ($1,801 thousand)

(2) Cause of goodwill recognition
Goodwill was recognized as it arose from the expected future excess earnings generated by the Company's ongoing business activities.

(3) Amortization method and amortization period
Due to the immateriality of the amount, goodwill is fully amortized at the time of recognition.

6. Amounts and major components of assets acquired and liabilities assumed on the date of business combination

	Millions of yen	*Thousands of U.S. dollars*
Current assets	**¥10,227**	**$ 63,965**
Non-current assets	**8,831**	**55,232**
Total assets	**¥19,057**	**$119,197**
Current liabilities	**¥ 9,003**	**$56,313**
Non-current liabilities	**6,942**	**43,419**
Total liabilities	**¥15,945**	**$99,733**

19. 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, the Kinki area and the Tokai area. The Company recorded net income from rental properties of ¥1,733 million for the year ended March 31, 2025 and ¥1,450 million ($9,072 thousand) for the year ended March 31, 2026 (rental revenue is mainly included in rental management income and rental expenses are mainly included in rental management expenses).

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

	Millions of yen		*Thousands of U.S. dollars*
	2025	**2026**	**2026**
Book value:			
Balance at the beginning of the year	¥112,316	**¥93,061**	**$582,066**
Increase (decrease)	(19,255)	**(13,335)**	**(83,404)**
Balance at the end of the year	93,061	**79,726**	**498,662**
Fair value	¥105,560	**¥94,811**	**$593,013**

Notes:
1) The rental properties are recorded on the consolidated balance sheet at their acquisition costs net of accumulated depreciation and accumulated impairment losses.
Of the amount of increase (decrease) for the year ended March 31, 2025, the increase is primarily attributable to acquisition of real estate of ¥12,415 million and transfer to rental properties of ¥2,553 million. The decrease is primarily attributable to transfer to real estate for sale of ¥32,727 million and depreciation of ¥1,138 million.
Of the amount of increase (decrease) for the year ended March 31, 2026, the increase is primarily attributable to acquisition of real estate of ¥7,277 million ($45,515 thousand) and transfer to rental properties of ¥282 million ($1,766 thousand). The decrease is primarily attributable to transfer to real estate for sale of ¥20,924 million ($130,870 thousand) and depreciation of ¥1,092 million ($6,831 thousand).
2) 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.

20. Revenue Recognition

1. Disaggregated information on revenues arising from contracts with customers

Beginning with the current fiscal year, the Company has changed its reportable segment classification. Comparative information for the previous fiscal year has been reclassified to reflect the revised reportable segment classification.

	Millions of yen				
	2025				
	Reportable segments				
	Construction-related business	Real estate-related business	Condominium management and operation business	Overseas business	Total
Construction work, etc.	¥533,232	¥ –	¥ –	¥ –	¥ 533,232
Design and supervision	14,250	–	–	–	14,250
Real estate sales, etc.	190,851	124,129	16,862	1,652	333,495
Large-scale repair work and interior remodeling,etc.	37,692	–	28,224	–	65,917
Condominium building management and condominium leasing management, etc.	–	–	65,966	–	65,966
For-sale condominium consigned sales, real estate brokerage and renovations, etc.	–	74,257	–	–	74,257
Other	–	–	3,686	1,369	5,055
Revenue from contracts with customers	776,026	198,386	114,739	3,021	1,092,172
Other income (Note)	2,720	51,459	30,557	445	85,181
Sales to external customers	¥778,746	¥249,845	¥145,296	¥3,466	¥1,177,353

	Millions of yen				
	2026				
	Reportable segments				
	Construction-related business	Real estate-related business	Condominium management and operation business	Overseas business	Total
Construction work, etc.	**¥556,390**	**¥ –**	**¥ –**	**¥ –**	**¥ 556,390**
Design and supervision	**15,684**	**–**	**–**	**–**	**15,684**
Real estate sales, etc.	**191,469**	**146,542**	**22,971**	**18**	**361,000**
Large-scale repair work and interior remodeling, etc.	**39,546**	**–**	**29,307**	**–**	**68,853**
Condominium building management and condominium leasing management, etc.	**–**	**–**	**67,985**	**–**	**67,985**
For-sale condominium consigned sales, real estate brokerage and renovations, etc.	**–**	**82,477**	**–**	**–**	**82,477**
Other	**1,046**	**–**	**5,217**	**1,324**	**7,587**
Revenue from contracts with customers	**804,135**	**229,020**	**125,480**	**1,343**	**1,159,977**
Other income (Note)	**15,953**	**61,190**	**33,045**	**2,972**	**113,159**
Sales to external customers	**¥820,088**	**¥290,209**	**¥158,525**	**¥4,314**	**¥1,273,136**

	Thousands of U.S. dollars				
	2026				
	Reportable segments				
	Construction-related business	Real estate-related business	Condominium management and operation business	Overseas business	Total
Construction work, etc.	**$3,480,048**	**$ –**	**$ –**	**$ –**	**$3,480,048**
Design and supervision	**98,102**	**–**	**–**	**–**	**98,102**
Real estate sales, etc.	**1,197,580**	**916,577**	**143,674**	**114**	**2,257,945**
Large-scale repair work and interior remodeling, etc.	**247,346**	**–**	**183,308**	**–**	**430,654**
Condominium building management and condominium leasing management, etc.	**–**	**–**	**425,224**	**–**	**425,224**
For-sale condominium consigned sales, real estate brokerage and renovations, etc.	**–**	**515,871**	**–**	**–**	**515,871**
Other	**6,541**	**–**	**32,633**	**8,284**	**47,457**
Revenue from contracts with customers	**5,029,616**	**1,432,448**	**784,840**	**8,397**	**7,255,300**
Other income (Note)	**99,781**	**382,723**	**206,683**	**18,586**	**707,773**
Sales to external customers	**$5,129,397**	**$1,815,170**	**$991,523**	**$26,983**	**$7,963,074**

Note: "Other income" includes rental income, etc. based on the "Accounting Standard for Lease Transactions" (Corporate Accounting Standard No. 13) and real estate sales based on the "Practical Guidelines on Accounting Treatment for Transferors in Revenues of Real Estate Using Special Purpose Companies" (Guideline No.10).

2. Information that provides a basis for understanding revenues arising from contracts with customers

The basis for understanding revenues is described in (2. Significant Matters Serving as the Basis for Preparation of Consolidated Financial Statements) (4. Matters Related to Significant Accounting Policies)"(5) Accounting standards for significant revenues and expenses" above.

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from said contracts, and the amount and timing of revenue from contracts with customers that existed at the end of the fiscal year ended March 31, 2025 and 2026, which are expected to be recognized in the next fiscal year.

(1) Balance of contract assets and contract liabilities

	Millions of yen				Thousands of U.S. dollars	
	2025		**2026**		**2026**	
	Beginning balance	Ending balance	Beginning balance	Ending balance	Beginning balance	Ending balance
Receivables arising from contracts with customers	¥50,739	¥59,080	**¥59,080**	**¥ 50,046**	**$369,524**	**$313,023**
Contract assets	95,488	87,356	**87,356**	**84,958**	**546,386**	**531,387**
Contract liabilities	88,866	72,680	**72,680**	**102,304**	**454,589**	**639,883**

The amounts of revenue recognized in the fiscal years ended March 31, 2025 and 2026, that were included in the balances of contract liabilities at the beginning of the period were ¥80,044 million and ¥56,177 million ($351,367 thousand), respectively.

The change in contract assets was primarily attributable to revenue recognition (increase in contract assets) and transfer to trade receivables (decrease in contract assets).

The change in contract liabilities was primarily attributable to the receipt of advance payments (increase in contract liabilities) and revenue recognition (decrease in contract liabilities).

(2) Transaction prices allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations were ¥935,604 million and the expected period over which revenue is recognized is generally within four years for the years ended March 31, 2025. The total transaction price allocated to the remaining performance obligations were ¥1,087,228 million ($6,800,275 thousand), and the expected period over which revenue is recognized is generally within five years for the years ended March 31, 2026. Such amounts are not included in the information on remaining performance obligations for contracts with an initial expected term of one year or less, applying a practical expedient.

21. Segment Information

1. Overview of segment information

The reportable segments of the Company are those components of the Company for which separate financial information is available and which are regularly reviewed by the Board of Directors to determine the allocation of management resources and to evaluate performance.

The Company Group conducts its business activities with a focus on all businesses related to housing. Within the Company Group, organizational units consisting of multiple business groups that share common business and operational objectives aligned with their respective business domains and bear responsibility for target management are designated as reportable segments. Specifically, the Company Group has four reportable segments: the Construction-Related Business, which mainly targets new housing supply markets; the Real Estate-Related Business, which engages in condominium sales and real estate leasing; the Condominium Management and Operation Business, which focuses primarily on existing housing-related services; and the Overseas Business, which engages in real estate development and sales overseas.

In conjunction with the formulation of a new medium-term business plan with the fiscal year ending March 31, 2026 as its first year, the names of the reportable segments were changed from “Service-Related Business” to “Condominium Management and Operation Business” and from “Overseas-Related Business” to “Overseas Business”, effective from the first quarter of the fiscal year under review. Accordingly, the composition of subsidiaries constituting each segment was partially revised.

Segment information for the previous consolidated fiscal year is presented based on the revised classification of reportable segments.

2. Basis for measurement of net sales, profit or loss, assets, liabilities and other items by reportable segment

The accounting policies applied to the reportable business segments are substantially the same as those described under “Significant Accounting Policies for Preparation of Consolidated Financial Statements”.

Segment profit is based on operating profit. Intersegment sales are conducted at prevailing market prices.

3. Reportable segment information for the years ended March 31, 2025 and 2026 were as follows:

	Millions of yen						
	2025						
	Reportable segments						
	Construction-related business	Real estate-related business	Condominium management and operation business	Overseas business	Total	Adjustments and eliminations (Note 1)	Consolidated (Note 2)
Net sales							
Sales to third parties	¥778,746	¥249,845	¥145,296	¥ 3,466	¥1,177,353	¥ –	¥1,177,353
Inter-segment sales and transfer	62,940	2,856	6,728	–	72,524	(72,524)	–
Total	841,687	252,700	152,025	3,466	1,249,878	(72,524)	1,177,353
Segment profit (loss)	56,342	32,578	6,486	(5,663)	89,743	(5,042)	84,701
Segment assets	¥415,596	¥642,240	¥154,976	¥121,795	¥1,334,607	¥ 30,596	¥1,365,203
Other items							
Depreciation and amortization	¥ 1,774	¥ 2,624	¥ 2,743	¥ 772	¥ 7,913	¥ 86	¥ 7,999
Investment in equity-method affiliates	–	–	–	32,877	32,877	–	32,877
Capital expenditures	5,339	11,034	4,105	434	20,912	7	20,918

Notes:
1) Adjustments and eliminations were as follows:
(1) Adjustment and eliminations for segment profit or loss of ¥(5,042) million include ¥253 million of elimination of inter-segment transactions and ¥(5,294) 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) Adjustment and eliminations for segment assets of ¥30,596 million include ¥(25,866) million of elimination of receivables stemming from inter-segment transactions and ¥56,462 million of corporate assets. Corporate assets are primarily comprised of cash and cash deposits of the Company.
2) Segment profit (loss) has been adjusted with operating profit in the consolidated statement of income.

	Millions of yen						
	2026						
	Reportable segments						
	Construction-related business	Real estate-related business	Condominium management and operation business	Overseas business	Total	Adjustments and eliminations (Note 1)	Consolidated (Note 2)
Net sales							
Sales to third parties	**¥820,088**	**¥290,209**	**¥158,525**	**¥ 4,314**	**¥1,273,136**	**¥ –**	**¥1,273,136**
Inter-segment sales and transfer	**80,780**	**2,995**	**6,900**	**–**	**90,675**	**(90,675)**	**–**
Total	**900,868**	**293,204**	**165,425**	**4,314**	**1,363,811**	**(90,675)**	**1,273,136**
Segment profit (loss)	**68,536**	**35,579**	**8,214**	**(6,081)**	**106,248**	**(7,504)**	**98,743**
Segment assets	**¥401,290**	**¥633,933**	**¥161,458**	**¥158,480**	**¥1,355,161**	**¥ 62,564**	**¥1,417,724**
Other items							
Depreciation and amortization	**¥ 2,631**	**¥ 3,053**	**¥ 2,867**	**¥ 24**	**¥ 8,575**	**¥ 202**	**¥ 8,777**
Investment in equity-method affiliates	**–**	**277**	**–**	**58,984**	**59,261**	**–**	**59,261**
Capital expenditures	**6,604**	**7,992**	**4,454**	**156**	**19,206**	**791**	**19,997**

	Thousands of U.S. dollars						
	2026						
	Reportable segments						
	Construction-related business	Real estate-related business	Condominium management and operation business	Overseas business	Total	Adjustments and eliminations (Note 1)	Consolidated (Note 2)
Net sales							
Sales to third parties	**$5,129,397**	**$1,815,170**	**$ 991,523**	**$ 26,983**	**$7,963,074**	**$ –**	**$7,963,074**
Inter-segment sales and transfer	**505,252**	**18,732**	**43,159**	**–**	**567,144**	**(567,144)**	**–**
Total	**5,634,650**	**1,833,903**	**1,034,682**	**26,983**	**8,530,218**	**(567,144)**	**7,963,074**
Segment profit (loss)	**428,669**	**222,536**	**51,376**	**(38,036)**	**664,545**	**(46,938)**	**617,608**
Segment assets	**$2,509,946**	**$3,965,056**	**$1,009,868**	**$991,241**	**$8,476,111**	**$ 391,317**	**$8,867,428**
Other items							
Depreciation and amortization	**$ 16,455**	**$ 19,098**	**$ 17,931**	**$ 147**	**$ 53,631**	**$ 1,265**	**$ 54,897**
Investment in equity-method affiliates	**–**	**1,730**	**–**	**368,928**	**370,658**	**–**	**370,658**
Capital expenditures	**41,307**	**49,991**	**27,856**	**974**	**120,127**	**4,950**	**125,077**

Notes:
1) Adjustments and eliminations were as follows:
(1) Adjustment and eliminations for segment profit or loss of ¥(7,504) million ($(46,938) thousand) include ¥(1,604) million ($(10,036) thousand) of elimination of inter-segment transactions and ¥(5,900) million ($(36,902) 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) Adjustment and eliminations for segment assets of ¥62,564 million ($391,317 thousand) include ¥(23,388) million ($(146,286) thousand) of elimination of receivables stemming from inter-segment transactions and ¥85,952 million($537,603 thousand) of corporate assets. Corporate assets are primarily comprised of cash and cash deposits of the Company.
(3) During the consolidated fiscal year under review, as WOOD FRIENDS Co., Ltd. and three of its subsidiaries newly became consolidated subsidiaries, segment assets in the Construction-Related Business increased by ¥17,945 million ($112,241 thousand), and segment assets in the Condominium Management and Operation Business increased by ¥2,635 million ($16,481 thousand), compared with the end of the previous consolidated fiscal year.
2) Segment profit (loss) has been adjusted with operating profit in the consolidated statement of income.

Related information

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

2. 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 statement of income for the years ended March 31, 2025 and 2026.

(2) Property, plant and equipment
Property ,plant and equipment information is omitted, since the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment recorded in the consolidated balance sheet as of March 31, 2025 and 2026.

3. Information by major customers
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 statement of income for the years ended March 31, 2025 and 2026.

4. Impairment losses on non-current assets by reportable segments for the years ended March 31, 2025 and 2026 were summarized as follows:

	Millions of yen					
	2025					
	Reportable segments					
	Construction-related business	Real estate-related business	Condominium management and operation business	Overseas business	Adjustments and eliminations	Consolidated
Impairment losses	¥3	¥471	¥333	¥16,112	¥(59)	¥16,861

	Millions of yen					
	2026					
	Reportable segments					
	Construction-related business	Real estate-related business	Condominium management and operation business	Overseas business	Adjustments and eliminations	Consolidated
Impairment losses	**¥3,638**	**¥–**	**¥317**	**¥124**	**¥–**	**¥4,079**

	Thousands of U.S. dollars					
	2026					
	Reportable segments					
	Construction-related business	Real estate-related business	Condominium management and operation business	Overseas business	Adjustments and eliminations	Consolidated
Impairment losses	**$22,753**	**$–**	**$1,985**	**$776**	**$–**	**$25,513**

5. The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2025 and 2026 by reportable segment:

	Millions of yen					
	2025					
	Reportable segments					
	Construction-related business	Real estate-related business	Condominium management and operation business	Overseas business	Adjustments and eliminations	Consolidated
Amortization	¥–	¥–	¥ 203	¥–	¥–	¥ 203
Balance as of March 31	¥–	¥–	¥1,778	¥–	¥–	¥1,778

	Millions of yen					
	2026					
	Reportable segments					
	Construction-related business	Real estate-related business	Condominium management and operation business	Overseas business	Adjustments and eliminations	Consolidated
Amortization	**¥288**	**¥–**	**¥ 203**	**¥–**	**¥–**	**¥ 491**
Balance as of March 31	**¥ –**	**¥–**	**¥1,574**	**¥–**	**¥–**	**¥1,574**

	Thousands of U.S. dollars					
	2026					
	Reportable segments					
	Construction-related business	Real estate-related business	Condominium management and operation business	Overseas business	Adjustments and eliminations	Consolidated
Amortization	**$1,801**	**$–**	**$1,271**	**$–**	**$–**	**$3,071**
Balance as of March 31	**$ –**	**$–**	**$9,848**	**$–**	**$–**	**$9,848**

6. Information on gain from negative goodwill by reporting segment:
   Not applicable

22. Related Party Transactions

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

Directors and major shareholders (limited to individuals) of the consolidated financial statements reporting entity

Fiscal year ended March 31, 2025 (April 1, 2024 – March 31, 2025)

Type	Name of company or individual	Percentage of voting rights held (or held by) (%)	Nature of business or occupation	Relationship with related party	Transaction	Transaction amount *(Millions of yen)*
Director and close relative	Toru Yamaguchi	Direct 0.01% (held by)	Director and Executive operating officer of the Company	Contracting for renovation of private areas of condominiums by the subsidiary Haseko Reform Inc. (Note)	Contracting for renovation of private areas of condominiums by the subsidiary Haseko Reform Inc. (Note)	¥15

Note: Price and other transaction terms are determined in a similar manner for general transactions.

Fiscal year ended March 31, 2026 (April 1, 2025 – March 31, 2026)
Not applicable

23. Per Share Information

1. Per share information as of and for the years ended March 31, 2025 and 2026 were as follows:

	Yen		*U.S. dollars*
	2025	**2026**	**2026**
Net assets per share	¥1,950.61	**¥2,126.38**	**$13.30**
Profit per share			
Basic	126.20	**204.54**	**1.28**

Notes:

1) Diluted earnings per share is not presented because there are no potentially dilutive shares.

2) The following is the basis for calculating the basic and diluted profit per share:

	Millions of yen		*Thousands of U.S. dollars*
	2025	**2026**	**2026**
Profit	¥34,450	**¥54,839**	**$342,999**
Profit not attributable to owners of parent	–	**–**	**–**
Profit attributable to owners of parent	¥34,450	**¥54,839**	**$342,999**
Weighted average number of shares outstanding (thousands of shares)	272,982	**268,101**	

Notes:

a) The numbers of shares presented are rounded down to the nearest thousand shares.

b) Shares owned by the Board Benefit Trust (BBT) and the Stock-Granting ESOP held as trust assets are included in treasury shares, which is deducted in calculating basic profit attributable to owners of parent per share. The average numbers of shares outstanding during the years ended March 31, 2025 and 2026 were 27,812 thousand and 30,505 thousand, respectively, including 4,596 and 4,352 thousand of shares held by the BBT and the Stock-Granting ESOP as trust assets in 2025 and 2026.

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

	Millions of yen		*Thousands of U.S. dollars*
	2025	**2026**	**2026**
Net assets	¥532,033	**¥563,451**	**$3,524,211**
Amount to be deducted from the total net assets:	–	**716**	**4,476**
Non-controlling interests	–	**(716)**	**(4,476)**
Net assets attributable to common shareholders	¥532,033	**¥562,735**	**$3,591,735**
Number of common shares of the end of the period used in the calculation of the net assets per share (thousands of shares)	272,752	**264,644**	

Notes:

a) The numbers of shares presented are rounded down to the nearest thousand shares.

b) Shares owned by the Board Benefit Trust (BBT) and the Stock-Granting ESOP held as trust assets are included in treasury shares, which is deducted in calculating basic profit attributable to owners of parent per share. The average numbers of shares outstanding during the years ended March 31, 2025 and 2026 were 28,041 thousand and 27,835 thousand, respectively, including 4,561 and 4,337 thousand of shares held by the BBT and the Stock-Granting ESOP as trust assets in 2025 and 2026.

24. Subsequent Event

Not applicable

25. Schedules of consolidated financial statements

Schedule of bonds

Issue name	Issue date	Due date	Interest rate	Millions of yen 2025	Millions of yen 2026	Thousands of U.S. dollars 2026
11th Unsecured Bond	November 1, 2018	November 1, 2028	0.52%	¥ 10,000	**¥10,000**	**$ 62,547**
12th Unsecured Bond	July 19, 2019	July 19, 2029	0.35%	10,000	**10,000**	**62,547**
13th Unsecured Bond	July 13, 2020	July 11, 2025	0.24%	20,000	**–**	**–**
14th Unsecured Bond	July 13, 2020	July 12, 2030	0.47%	20,000	**20,000**	**125,094**
16th Unsecured Bond	November 27, 2020	November 26, 2027	0.30%	10,000	**10,000**	**62,547**
17th Unsecured Bond	March 15, 2023	March 13, 2026	0.29%	20,000	**–**	**–**
18th Unsecured Bond	March 15, 2023	March 15, 2028	0.57%	10,000	**10,000**	**62,547**
19th Unsecured Bond	December 14, 2023	December. 14, 2028	0.85%	20,000	**20,000**	**125,094**
Total				¥120,000	**¥80,000**	**$500,375**

Note: The scheduled redemption amounts for the five years following the consolidated balance sheet date are as follows:

	Millions of yen	Thousands of U.S. dollars
Within 1 year	**¥ –**	**$ –**
More than 1 year up to 2 years	**20,000**	**125,094**
More than 2 year up to 3 years	**30,000**	**187,641**
More than 3 year up to 4 years	**10,000**	**62,547**
More than 4 year up to 5 years	**20,000**	**125,094**

Schedule of borrowings, etc.

	Average interest rate (%)	Repayment period	Millions of yen 2025	Millions of yen 2026	Thousands of U.S. dollars 2026
Short-term borrowings	–	–	¥ 15,000	**¥ –**	**$ –**
Current portion of long-term borrowings	1.54	–	20,000	**10,000**	**62,547**
Current portion of lease obligations	–	–	147	**210**	**1,313**
Long-term borrowings (excluding current portion) (Note 2)	1.55	2028 ~ 2041	265,000	**335,000**	**2,095,321**
Lease obligations (excluding current portion) (Note 2)	–	2027 ~ 2044	336	**708**	**4,430**
Other interest-bearing debt	–	–	–	**–**	**–**
Total	–	–	¥300,483	**¥345,918**	**$2,163,612**

Note1: The weight average interest rate for the end-of-year balance of outstanding debt is shown as the "Average interest rate." For lease obligations, the average interest rate in not stated because the amount equivalent to interest included in the total lease payment is allocated to each consolidated fiscal year by the straight-line method.

Note2: The scheduled repayments of long-term borrowings and lease liabilities (excluding the current portion) within five years after the consolidated balance sheet date are as follows:

	Millions of yen		Thousands of U.S. dollars	
	Long-term borrowings	Lease obligations	Long-term borrowings	Lease obligations
More than 1 year up to 2 years	**¥20,000**	**¥185**	**$125,094**	**$1,156**
More than 2 year up to 3 years	**10,000**	**145**	**62,547**	**908**
More than 3 year up to 4 years	**30,000**	**93**	**187,641**	**583**
More than 4 year up to 5 years	**26,400**	**34**	**165,124**	**214**

Schedule of Asset Retirement Obligations

Since the amount of asset retirement obligations at both the beginning and the end of the current fiscal year is not more than one-hundredth of the total of liabilities and net assets at the respective dates, disclosure has been omitted in accordance with Article 92-2 of the Regulation on Consolidated Financial Statements.

Independent Auditor's Report

The Board of Directors
HASEKO Corporation

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of HASEKO Corporation (the Company)and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2026, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, including those applicable to audits of financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Estimation of total construction costs in satisfying a performance obligation and recognizing revenue over time that are applicable to construction-related businesses	
Description of Key Audit Matter	**Auditor's Response**
The Company is primarily engaged in the general construction business, which involves the planning, designing, and construction of condominiums and other facilities. As described in 2. Significant Matters Serving as the Basis for Preparation of Consolidated Financial Statements, 4. Matters related to	We mainly performed the following audit procedures in assessing the adequacy of the estimates of total construction costs made in applying the method of recognizing revenue as performance obligations are satisfied over time. (1) Evaluation of internal controls

significant accounting policies, (5) Accounting standards for significant revenues and expenses, (a) Construction-related business, in recognizing net sales involving completed construction contracts and cost of sales of completed construction contracts, the Company applies a method of recognizing revenue as performance obligations are satisfied over time (cost-based input method is applied for estimates of progress towards complete satisfaction of the performance obligation) for construction contracts that are deemed to satisfy performance obligations for the portion of work completed up to the end of the fiscal year ended March 31, 2026, and recognized revenue based on progress towards complete satisfaction of performance obligations. Of the Net sales involving completed construction contracts of ¥625,243 million for the fiscal year ended March 31, 2026, the amount of revenue from completed construction contracts that the Company recognized using the method of recognizing revenue as performance obligations are satisfied over time amounted to ¥572,645 million, of which ¥550,510 million is accounted for by the Company. In applying the method of recognizing revenue as performance obligations are satisfied over time, the Company is required to reasonably estimate total construction revenue and total construction costs as well as progress towards complete satisfaction of performance obligations as of the fiscal year end. The progress towards complete satisfaction of performance obligations is determined by dividing actual costs incurred up to the fiscal year end by the total construction costs. As described in the notes to the consolidated financial statements (Significant accounting estimates), estimates of total construction costs require certain assumptions and judgments made by the department in charge with expert knowledge and experience in construction since each property is unique in nature because specific instructions on basic	In order to evaluate the effectiveness of the process for estimating total construction costs, we evaluated the design and operation of the Company's following internal controls. ・Control to ensure that operating budgets, which serve as the basis for estimates of total construction costs, are approved by board officers with approval authority. ・Control to ensure that revisions are made to estimates of total construction costs in a timely, appropriate, and comprehensive manner in accordance with factors such as the execution status of construction, the amounts of costs actually incurred, and changes in specifications instructed by customers, through the monitoring of profit or loss on construction by the department responsible for operating budgets, which performs estimates of total construction costs. (2) Evaluation of the adequacy of estimates of total construction costs ・In order to confirm that the revised total construction costs in operating budgets were reflected in a timely and appropriate manner in calculations of progress towards complete satisfaction of performance obligations, we assessed the consistency between the total construction costs used in determining progress towards complete satisfaction of performance obligations and the revised estimates made by the department responsible for operating budgets. ・In order to confirm that the revisions to the total construction costs were carried out in a timely and appropriate manner, we identified changes in profit margins throughout the year per for each one of certain construction projects. For changes exceeding the ranges set by the auditor that were attributable to changes in the total construction costs, we made inquiries of the responsible department regarding the reasons for such changes and assessed whether their responses were consistent with construction profit and loss management reports, statistical information,

design and work contents are given by each customer, and thus involve uncertainty. In addition, given that construction is generally long-term in nature, the Company may revisit estimates for materials, outsourcing expenses, and other costs, in accordance with changes in the operating environment that occur during the course of construction, such as sharp increases in costs, including construction materials and labor costs, or difficulties in their procurement, as well as declines in production capacity due to circumstances in procuring subcontractors. In such instances, whether the estimates are updated in a timely and appropriate manner will have a significant impact on the estimates of total construction costs. Based on the above, we determined the estimates of total construction costs made in applying the method of recognizing revenue as performance obligations are satisfied over time are of particular significance for the fiscal year ended March 31, 2026 and therefore, should be a key audit matter.	construction progress reports, and other components. ・In order to confirm whether any events occurred that should be reflected in the estimates of total construction costs, we inspected minutes of meetings, including board of director meetings, and made inquiries of the responsible department. ・In order to evaluate the reasonableness of the estimates of total construction costs, we compared the operating budgets for construction projects selected based on the auditor's risk assessment, taking into consideration factors such as total construction revenue, construction profit or loss, and project characteristics, with the auditor's independently developed estimates based on historical results of projects with similar building sizes and equipment specifications, by construction work category. We also made inquiries of the responsible department and, where necessary, assessed whether the estimates were consistent with contracts, market prices of materials, and estimates obtained from external contractors. ・In order to evaluate the process for estimating total construction costs, we compared the initial estimates, revised estimates and final actual amounts of total construction costs.

Valuation of for-sale condominiums in the real estate-related business and lands for orders in the construction-related business and other real estate.

Description of Key Audit Matter	Auditor’s Response
Primarily, the company engages in the sale of condominiums, lands for orders and other real estate and its consolidated subsidiaries, Haseko Real Estate Co., Ltd. and Sogo Jisho Co., Ltd., are involved in the sale of condominiums. The condominiums held for sale, lands for orders and other real estate are included in Real estate for sale of ¥254,820 million and Costs and advances for real estate	In assessing the valuation of for-sale condominiums lands for orders ,and other real estate included in Real estate for sale and Costs and advances for real estate operations, we mainly performed the following audit procedures for properties which met the criteria set by the auditor’s taking into consideration factors such as progress of development and sales and quantitative significance.

operations of ¥296,445 million recorded on the consolidated balance sheet. If the net selling price of the Real estate for sale and Costs and advances for real estate operations as of the fiscal year end has fallen below the acquisition costs, the Company records such assets at net realizable value on the balance sheet and recognizes the difference as a valuation loss on real estate for sale. The net selling price is determined on the basis of factors such as the estimated sales price, construction costs, and estimated selling expenses, which are estimated taking into account transactions conducted in neighboring areas, condominium demand forecasts, and changes in construction costs, among other factors. The significant assumptions used in estimating the net realizable value are the estimated sales price, construction costs, and estimated selling expenses, as described in the Note 3 “Significant Accounting Estimates,” to the consolidated financial statements. Revision of the net selling price for condominiums for sale, lands for orders ,and other real estate included in Real estate for sale and Costs and advances for real estate operations would be required if development or sales of for-sale condominiums does not progress as originally planned and therefore, the probability of lowering selling prices, rising construction costs, increases in budgets for sales promotion activities, or cancellation of development plans increases. Particularly for properties where the progress of development and sales has been significantly delayed from the original plan, the estimation period for sales prices, construction costs and selling expenses may become longer and therefore, the estimation of net selling price would involve more uncertainty.	・In order to evaluate the adequacy of the estimates of net selling price, we compared the auditor's independently developed estimates with management's estimates. The significant assumptions are the estimated sales price, construction costs, and estimated selling expenses of for-sale condominiums. The estimated sales price was determined based on market prices in neighboring areas and other relevant data; construction costs were determined based on actual costs incurred and estimates obtained from construction companies; and estimated selling expenses of for-sale condominiums were determined based on historical actual data. In addition, inquiries were made to the responsible department regarding the basis for the estimated sales price, construction costs, and estimated selling expenses. ・In order to confirm that all events that should have been reflected in the estimates of net selling price, including cases where the progress of development and sales had been significantly delayed from the original plan, had been appropriately reflected, we inspected minutes of meetings, including meetings of the board of directors, and made inquiries of the responsible department. We then considered whether the identified events had been appropriately reflected in the estimate of net selling price.

Based on the above, we determined that the valuation of for-sale condominiums and lands for orders ,and other real estate included in Real estate for sale and Costs and advances for real estate operations held by the real estate-related business is of particular significance for the fiscal year ended March 31, 2026 and therefore, should be a key audit matter.	

Other Information

The other information comprises the information included in Financial Report that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2026 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Fee-related Information

The fees for the audits of the financial statements of HASEKO Corporation (the Company) and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2026 are 219 million yen and 12 million yen, respectively.

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

August 5, 2026

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Masanobu Saito
Designated Engagement Partner
Certified Public Accountant

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