

## Consolidated Financial Statements

## AS OF MARCH 31, 2018 AND 2019

## ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2019	2019
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and bank deposits (Notes 5, 10 and 15)	¥208,055	<b>¥212,423</b>	<b>\$1,913,893</b>
Notes and accounts receivable, trade (Notes 5 and 10)	110,613	<b>139,312</b>	<b>1,255,176</b>
Marketable securities (Notes 5, 6 and 10)	3,840	<b>2,751</b>	<b>24,786</b>
Costs on uncompleted construction contracts	9,208	<b>10,702</b>	<b>96,423</b>
Inventories (Notes 7 and 13)	162,746	<b>189,374</b>	<b>1,706,226</b>
Other current assets (Note 10)	10,997	<b>13,914</b>	<b>125,363</b>
Allowance for doubtful accounts (Note 5)	(188)	<b>(173)</b>	<b>(1,559)</b>
Total current assets	505,271	<b>568,303</b>	<b>5,120,308</b>
 <b>Property and Equipment</b> (Notes 8 and 10)	 125,125	 <b>134,675</b>	 <b>1,213,398</b>
 <b>Intangible Assets</b> (Note 8)	 7,215	 <b>7,468</b>	 <b>67,286</b>
 <b>Investments and Other Assets:</b>			
Investment securities (Notes 5 and 6)	18,155	<b>25,316</b>	<b>228,093</b>
Long-term loans receivable (Note 5)	2,822	<b>3,084</b>	<b>27,786</b>
Net defined benefit asset (Note 17)	9,706	<b>12,613</b>	<b>113,641</b>
Deferred tax assets (Note 18)	6,690	<b>9,345</b>	<b>84,197</b>
Other assets	13,525	<b>13,180</b>	<b>118,749</b>
Allowance for doubtful accounts (Note 5)	(803)	<b>(765)</b>	<b>(6,893)</b>
Total investments and other assets	50,095	<b>62,773</b>	<b>565,573</b>
Total assets	¥687,706	<b>¥773,219</b>	<b>\$6,966,565</b>

*See notes to consolidated financial statements.*

# Consolidated Financial Statements

## CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2018 AND 2019 LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2019	2019
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Short-term borrowings (Notes 5 and 9)	¥ 10,000	¥ —	\$ —
Current portion of long-term debt (Notes 5 and 9)	26,471	17,762	160,032
Current portion of bonds (Notes 5 and 9)	—	10,000	90,098
Notes and accounts payable (Note 5)	86,658	86,331	777,827
Electronically recorded obligations (Note 5)	49,343	52,449	472,556
Income taxes payable (Notes 5 and 18)	20,605	21,059	189,738
Advances received on uncompleted construction contracts	20,921	17,968	161,888
Advances received for real estate sales	9,652	10,300	92,801
Warranty	4,980	6,048	54,491
Allowance for losses on construction contracts	44	464	4,181
Accrued bonuses for employees	5,919	5,728	51,608
Accrued bonuses for director	190	174	1,568
Other current liabilities	46,113	59,034	531,887
Total current liabilities	280,896	287,317	2,588,675
<b>Long-term Liabilities:</b>			
Straight bonds (Notes 5 and 9)	20,000	20,000	180,196
Long-term debt (Notes 5, 9, 10 and 16)	60,194	72,642	654,491
Liability for retirement benefits (Note 17)	921	1,064	9,586
Provision for loss on litigation	2,705	2,533	22,822
Provision for employee stock ownership plan (Note 3)	1,037	1,538	13,857
Provision for board benefit trust (Note 3)	171	249	2,243
Deferred tax liabilities (Note 18)	—	12	108
Other long-term liabilities	24,947	19,813	178,513
Total long-term liabilities	109,975	117,851	1,061,816
Total liabilities	390,871	405,168	3,650,491
<b>Commitments and Contingent Liabilities</b> (Notes 11 and 12)			
<b>NET ASSETS</b> (Notes 14 and 19)			
<b>Shareholders' Equity:</b>			
Capital stock	57,500	57,500	518,065
Capital surplus	7,513	7,513	67,691
Retained earnings	240,880	313,241	2,822,244
Treasury stock, at cost — 3,439,632 shares in 2018 — 3,410,903 shares in 2019	(4,648)	(4,609)	(41,526)
Total shareholders' equity	301,245	373,645	3,366,474
<b>Accumulated Other Comprehensive Income:</b>			
Net unrealized gain on other securities	4,279	5,055	45,545
Translation adjustments	(4,144)	(4,769)	(42,968)
Retirement benefits liability adjustments	(5,381)	(6,920)	(62,348)
Total accumulated other comprehensive income (loss)	(5,246)	(6,634)	(59,771)
<b>Non-controlling Interests</b>	836	1,040	9,371
Total net assets	296,835	368,051	3,316,074
Total liabilities and net assets	¥687,706	¥773,219	\$6,966,565

See notes to consolidated financial statements.

# Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED MARCH 31, 2018 AND 2019

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2019	2019
<b>Net Sales</b> (Note 13)	¥813,276	<b>¥890,981</b>	<b>\$8,027,579</b>
<b>Cost of Sales</b> (Note 13)	656,031	<b>733,130</b>	<b>6,605,370</b>
Gross profit	157,245	<b>157,851</b>	<b>1,422,209</b>
<b>Selling, General and Administrative Expenses</b> (Note 13)	56,440	<b>59,421</b>	<b>535,372</b>
Operating Income	100,805	<b>98,430</b>	<b>886,837</b>
<b>Non-operating Income (Expenses):</b>			
Interest and dividend income	739	<b>2,837</b>	<b>25,561</b>
Equity in earnings of affiliates	30	<b>9</b>	<b>81</b>
Interest expense	(1,101)	<b>(884)</b>	<b>(7,965)</b>
Incidental expense for loan	(706)	<b>(640)</b>	<b>(5,766)</b>
Other, net	730	<b>617</b>	<b>5,559</b>
	(308)	<b>1,939</b>	<b>17,470</b>
Ordinary income	100,497	<b>100,369</b>	<b>904,307</b>
<b>Special Income (Losses):</b>			
Gain (loss) on disposal or sales of property and equipment, net (Note 8)	3,421	<b>69</b>	<b>622</b>
Gain on business transfer	—	<b>21,349</b>	<b>192,351</b>
Impairment loss on fixed assets	(197)	<b>(652)</b>	<b>(5,874)</b>
Impairment loss on investment securities	—	<b>(366)</b>	<b>(3,298)</b>
Provision for loss on litigation	(2,705)	<b>—</b>	<b>—</b>
Other, net	5	<b>472</b>	<b>4,252</b>
	524	<b>20,872</b>	<b>188,053</b>
<b>Income before Income Taxes</b>	101,021	<b>121,241</b>	<b>1,092,360</b>
<b>Income Taxes</b> (Note 18):			
Current	28,978	<b>35,950</b>	<b>323,904</b>
Deferred	(492)	<b>(2,311)</b>	<b>(20,822)</b>
	28,486	<b>33,639</b>	<b>303,082</b>
<b>Net Income</b>	72,535	<b>87,602</b>	<b>789,278</b>
<b>Net Income Attributable to Non-controlling Interests</b>	246	<b>211</b>	<b>1,901</b>
<b>Net Income Attributable to Owners of Parent</b> (Note 19)	¥ 72,289	<b>¥ 87,391</b>	<b>\$ 787,377</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED MARCH 31, 2018 AND 2019

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2019	2019
<b>Net Income</b>	¥72,535	<b>¥87,602</b>	<b>\$789,278</b>
<b>Other Comprehensive Income</b>			
Net unrealized gain (loss) on other securities	2,647	<b>775</b>	<b>6,983</b>
Translation adjustments	(929)	<b>(625)</b>	<b>(5,631)</b>
Retirement benefits liability adjustments	545	<b>(1,538)</b>	<b>(13,857)</b>
Total other comprehensive income (loss)	2,263	<b>(1,388)</b>	<b>(12,505)</b>
<b>Comprehensive Income</b> (Note 22)	74,798	<b>86,214</b>	<b>776,773</b>
<b>Total Comprehensive Income Attributable to:</b>			
Comprehensive income attributable to owners of parent	74,553	<b>86,003</b>	<b>774,872</b>
Comprehensive income attributable to non-controlling interests	246	<b>211</b>	<b>1,901</b>

See notes to consolidated financial statements.

# Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEARS ENDED MARCH 31, 2018 AND 2019

For the year ended March 31, 2018

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

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

See notes to consolidated financial statements.

# Consolidated Financial Statements

For the year ended March 31, 2019

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	(Millions of yen)				
<b>Balance at April 1, 2018</b>	<b>¥57,500</b>	<b>¥7,513</b>	<b>¥240,880</b>	<b>¥(4,648)</b>	<b>¥301,245</b>
Net income attributable to owners of parent for the year ended March 31, 2019	—	—	87,391	—	87,391
Cash dividend	—	—	(15,030)	—	(15,030)
Purchase of treasury stock	—	—	—	(5)	(5)
Disposal of treasury stock	—	0	—	44	44
Increased due to merger etc.	—	—	—	—	—
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—
Net changes in items other than those in shareholders' equity	—	—	—	—	—
Total changes during the year	—	0	72,361	39	72,400
<b>Balance at March 31, 2019</b>	<b>¥57,500</b>	<b>¥7,513</b>	<b>¥313,241</b>	<b>¥(4,609)</b>	<b>¥373,645</b>

	Accumulated other comprehensive income					
	Net unrealized gain (loss) on other securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
	(Millions of yen)					
<b>Balance at April 1, 2018</b>	<b>¥4,279</b>	<b>¥(4,144)</b>	<b>¥(5,381)</b>	<b>¥(5,246)</b>	<b>¥ 836</b>	<b>¥296,835</b>
Net income attributable to owners of parent for the year ended March 31, 2019	—	—	—	—	—	87,391
Cash dividend	—	—	—	—	—	(15,030)
Purchase of treasury stock	—	—	—	—	—	(5)
Disposal of treasury stock	—	—	—	—	—	44
Increased due to merger etc.	—	—	—	—	—	—
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—
Net changes in items other than those in shareholders' equity	776	(625)	(1,539)	(1,388)	204	(1,184)
Total changes during the year	776	(625)	(1,539)	(1,388)	204	71,216
<b>Balance at March 31, 2019</b>	<b>¥5,055</b>	<b>¥(4,769)</b>	<b>¥(6,920)</b>	<b>¥(6,634)</b>	<b>¥1,040</b>	<b>¥368,051</b>

See notes to consolidated financial statements.

# Consolidated Financial Statements

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	(Thousands of U.S. dollars) (Note 4)				
<b>Balance at April 1, 2018</b>	<b>\$518,065</b>	<b>\$67,691</b>	<b>\$2,170,286</b>	<b>\$(41,878)</b>	<b>\$2,714,164</b>
Net income attributable to owners of parent for the year ended March 31, 2019	—	—	787,377	—	787,377
Cash dividend	—	—	(135,419)	—	(135,419)
Purchase of treasury stock	—	—	—	(45)	(45)
Disposal of treasury stock	—	0	—	397	397
Increased due to merger etc.	—	—	—	—	—
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—
Net changes in items other than those in shareholders' equity	—	—	—	—	—
Total changes during the year	—	0	651,958	352	652,310
<b>Balance at March 31, 2019</b>	<b>\$518,065</b>	<b>\$67,691</b>	<b>\$2,822,244</b>	<b>\$(41,526)</b>	<b>\$3,366,474</b>

	Accumulated other comprehensive income					
	Net unrealized gain (loss) on other securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
	(Thousands of U.S. dollars) (Note 4)					
<b>Balance at April 1, 2018</b>	<b>\$38,553</b>	<b>\$(37,337)</b>	<b>\$(48,482)</b>	<b>\$(47,266)</b>	<b>\$7,532</b>	<b>\$2,674,430</b>
Net income attributable to owners of parent for the year ended March 31, 2019	—	—	—	—	—	787,377
Cash dividend	—	—	—	—	—	(135,419)
Purchase of treasury stock	—	—	—	—	—	(45)
Disposal of treasury stock	—	—	—	—	—	397
Increased due to merger etc.	—	—	—	—	—	—
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—
Net changes in items other than those in shareholders' equity	6,992	(5,631)	(13,866)	(12,505)	1,839	(10,666)
Total changes during the year	6,992	(5,631)	(13,866)	(12,505)	1,839	641,644
<b>Balance at March 31, 2019</b>	<b>\$45,545</b>	<b>\$(42,968)</b>	<b>\$(62,348)</b>	<b>\$(59,771)</b>	<b>\$9,371</b>	<b>\$3,316,074</b>

See notes to consolidated financial statements.

# Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED MARCH 31, 2018 AND 2019

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2019	2019
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥101,021	¥121,241	\$1,092,360
Depreciation	3,726	4,582	41,283
Impairment loss on fixed assets	197	652	5,874
Increase (decrease) in provision for loss on litigation	2,705	(107)	(964)
Amortization of goodwill	663	2,267	20,425
(Reversal of) provision of allowance for doubtful accounts	2	(54)	(487)
Interest and dividend income	(739)	(2,837)	(25,561)
Interest expense	1,101	884	7,965
Equity in earnings of affiliates	(30)	(9)	(81)
Gain on sale of investment securities	(4)	(493)	(4,442)
Impairment loss on investment securities	—	366	3,298
Gain on transfer of business	—	(21,349)	(192,351)
Gain on disposal or sale of property and equipment, net	(3,421)	(69)	(622)
Valuation loss on inventories	102	64	577
Changes in operating assets and liabilities			
Notes and accounts receivable	7,063	(28,725)	(258,807)
Costs on uncompleted construction contracts	132	(1,494)	(13,461)
Inventories	(35,576)	(23,683)	(213,380)
Notes, accounts payable and accrued expenses	15,867	2,817	25,381
Amounts received for uncompleted construction contracts	(1,335)	(2,952)	(26,597)
Deposits	(10,899)	11,623	104,721
Other	2,202	4,797	43,221
Subtotal	82,777	67,521	608,352
Interest and dividends received	997	2,851	25,687
Interest paid	(1,065)	(840)	(7,568)
Income taxes paid	(26,193)	(36,468)	(328,570)
<b>Net Cash Provided by Operating Activities</b>	<b>56,516</b>	<b>33,064</b>	<b>297,901</b>
<b>Cash Flows from Investing Activities:</b>			
Payment for purchase of securities	(7,560)	(1,434)	(12,920)
Proceeds from redemption of securities	6,311	3,738	33,679
Purchases of property and equipment and intangible assets	(28,581)	(30,103)	(271,223)
Proceeds from sales of property and equipment and intangible assets	15,578	449	4,045
Payment for purchase of investment securities	(1,297)	(6,563)	(59,131)
Proceeds from sale of investment securities	4	593	5,343
Proceeds from transfer of business (Note 15)	—	20,401	183,809
Payments for acquisition of business	—	(1,619)	(14,587)
Payment for loans receivable	(3,123)	(3,732)	(33,625)
Collection of loans receivable	3,056	3,476	31,318
Payment for lease deposits	(1,570)	(766)	(6,902)
Collection of lease deposits	669	677	6,100
Other	162	410	3,695
<b>Net Cash Used for Investing Activities</b>	<b>(16,351)</b>	<b>(14,473)</b>	<b>(130,399)</b>
<b>Cash Flows from Financing Activities:</b>			
Decrease in short-term borrowings, net	—	(10,000)	(90,098)
Increase in long-term debt	14,057	30,300	272,998
Repayment of long-term debt	(30,533)	(26,471)	(238,499)
Bond issuance	—	10,000	90,098
Purchase of treasury stock	(4,506)	(5)	(45)
Incidental expenses for loan	(695)	(631)	(5,685)
Cash dividends paid	(12,024)	(15,030)	(135,418)
Cash dividends paid to non-controlling shareholders	(6)	(6)	(54)
Other	(1,036)	(536)	(4,830)
<b>Net Cash Used for Financing Activities</b>	<b>(34,743)</b>	<b>(12,379)</b>	<b>(111,533)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(167)</b>	<b>(98)</b>	<b>(883)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>5,255</b>	<b>6,114</b>	<b>55,086</b>
<b>Cash and Cash Equivalents at Beginning of the Year</b>	<b>201,456</b>	<b>206,866</b>	<b>1,863,826</b>
<b>Increase in Cash and Cash Equivalents Resulting from Merger of Unconsolidated Subsidiaries</b>	<b>155</b>	<b>—</b>	<b>—</b>
<b>Cash and Cash Equivalents at End of the Year (Note 15)</b>	<b>¥206,866</b>	<b>¥212,980</b>	<b>\$1,918,912</b>

See notes to consolidated financial statements.

# Consolidated Financial Statements

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Haseko Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2018 and 2019

### 1. Basis of Presentation

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

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

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

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

### 2. Summary of Significant Accounting Policies

#### (1) Scope of consolidation

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. As of March 31, 2019, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 63 and 1 (63 and 1 in 2018), respectively. Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less.

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

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

#### (2) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits that may be withdrawn on demand, negotiable deposits with a maturity of three months or less at the time of purchase and time deposits that can be easily withdrawn and bear no risk of value fluctuation.

#### (3) Marketable securities and Investment securities

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

Held-to-maturity securities are stated at amortized cost.

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

#### (4) Inventories

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

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

#### (5) Property and equipment

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

#### (6) Intangible assets

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

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

#### (7) Leases

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

#### (8) Allowance for doubtful accounts

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

#### (9) Warranty

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

#### (10) Allowance for losses on construction contracts

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



# Consolidated Financial Statements

## (11) Accrued bonuses for employees

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

## (12) Accrued bonuses for directors

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

## (13) Provision for loss on litigation

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

## (14) Provision for employee stock ownership plan

In order to prepare for the provision of the Company's shares to its employees, estimated amounts of benefits earned in the fiscal year ended March 31, 2019 have been recorded.

## (15) Provision for board benefit trust

In order to prepare for the provision of the Company's shares to its directors and officers, estimated amounts of benefits earned in the fiscal year ended March 31, 2019 have been recorded.

## (16) Retirement benefits

The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Prior service costs are amortized by the straight-line method over the average remaining service period of the employees (15-16 years) at the time of occurrence.

Actuarial differences are amortized from the next year in which the difference arises by the straight-line method over the average remaining service period of the employees (5-21 years).

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

## (17) Foreign currency translation

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

## (18) Hedge accounting

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

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

## (19) Amortization of goodwill

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

## (20) Recognition on sales and costs of construction contracts

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

## (21) Income taxes

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

## (22) Consumption taxes

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

## (23) Deferred assets

Issuance costs for straight bonds are charged to income.

## (24) Accounting standard issued but not yet effective

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, issued on March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, issued on March 30, 2018)

### (1) Overview

The standard is a comprehensive accounting standard for revenue recognition, in which revenue is recognized through the following five steps:

- Step 1: Identify the contract (s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

### (2) Planned date of application

The application date of the standard is currently under review.

### (3) Impact of the application of the accounting standard, etc.

The amount of the impact is under review as of the date of preparing the consolidated financial statements.

# Consolidated Financial Statements

## 3. Supplemental Information

### (Changes in presentation)

#### (Changes due to application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 issued on February 16, 2018) are applied from the beginning of the fiscal year ended March 31, 2019. As a result of changes in the presentation method, “Deferred tax assets” are classified under “Investments and other assets” and “Deferred tax liabilities” are classified under “Long-term liabilities”.

As a result, in the consolidated balance sheet as of March 31, 2018, the ¥7,292 million presented as “Deferred tax assets” under “Current assets” and the ¥602 million previously presented as “Deferred tax liabilities” under “Long-term liabilities” have been reclassified as ¥6,690 in “Deferred tax assets” under “Investments and other assets”.

In addition, notes on “Accounting Standard for Tax Effect Accounting” (Note 8) (1) (excluding total of valuation allowance) and (Note 9) provided in Items 3 to 5 of the “Partial Amendments to Accounting Standard for Tax Effect Accounting” have been added to the notes to the method of tax effect accounting (Note 18).

However, related disclosures for the prior fiscal year have not been included based on the transitional treatment provided in Item 7 of the “Partial Amendments to Accounting Standard for Tax Effect Accounting.”

#### (Notes to consolidated balance sheet)

“Lease obligations,” presented in “Current liabilities” and “Long-term liabilities” as of March 31, 2018, have decreased in materiality, and thus are included in “Other” as of March 31, 2019. In order to reflect this change in presentation, the consolidated fiscal statements for the previous fiscal year have been reclassified.

As a result, ¥1,327 million presented as “Lease obligations,” in “Current liabilities” in the consolidated balance sheet as of March 31, 2018 has been included in ¥46,114 million in “Other” and ¥7,450 million presented as “Lease obligations,” in “Long-term liabilities” in the consolidated balance sheet as of March 31, 2018 has been included in ¥24,947 million in “Other.”

#### (Notes to consolidated statement of cash flows)

“Gain on sale of investment securities,” which was included in “Other” in “Cash flows from operating activities” for the fiscal year ended March 31, 2018, has been presented separately from the fiscal year ended March 31, 2019 due to an increase in its quantitative materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been restated.

As a result, the ¥2,200 million presented as “Other” in “Cash flows from operating activities” in the consolidated statement of cash flows for the previous fiscal year ended March 31, 2018 has been reclassified as ¥(4) million in “Gain on sale of investment securities,” and ¥2,204 million in “Other.”

“Repayment of lease obligations,” which was presented in “Cash flows from financing activities” in the fiscal year ended March 31, 2018, has decreased in materiality, and thus is included in “Other” from the fiscal year ended March 31, 2019. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been restated.

As a result, ¥(1,039) million presented as “Repayment of lease obligations” in “Cash flows from financing activities” in the consolidated statement of cash flows for the fiscal year ended March 31, 2018 has been reclassified as ¥(1,036) million in “Other.”

### (Additional information)

The Company has introduced the 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 use a method, which it previously adopted, in accordance with the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (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 stock in net assets.

The book value of the said treasury stock was ¥796 million as of March 31, 2018, with the number of shares amounting to 592,100 shares. It was ¥780 million (\$7,028 thousand) as of March 31, 2019, with the number of shares amounting to 580,100 shares. The weighted average number of shares outstanding for the years ended March 31, 2018 and 2019 were 347,159 shares and 583,656 shares, respectively.

The number of shares standing and the weighted average number of shares outstanding are included in treasury stocks 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 use a method, which it previously adopted, in accordance with the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (Practical Issues Task Force No. 30 (revised 2015), March 26, 2015).

# Consolidated Financial Statements

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 stock in net assets.

The book value of the said treasury stock was ¥3,693 million as of March 31, 2018, with the number of shares amounting to 2,649,900 shares. It was ¥3,665 million (\$33,018 thousand) as of March 31, 2019, with the number of shares amounting to 2,629,700 shares. The weighted average number of shares outstanding for the years ended March 31, 2018 and 2019 were 1,515,379 shares and 2,631,283 shares, respectively.

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

## (Matured notes and electronically recorded obligations)

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Notes receivable	¥ 30	¥ 128	\$ 1,153
Notes payable	501	656	5,912
Electronically recorded obligations	1,820	2,207	19,884

## 4. U.S. Dollar Amounts

The U.S. dollar amounts are included solely for convenience of readers outside Japan, at the prevailing exchange rate on March 31, 2019, which was ¥110.99=U.S.\$1. The above translation should not be construed as a representation that yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

## 5. Financial Instruments

### Overview

#### (1) Policy for financial instruments

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

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

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

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

#### (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.

# Consolidated Financial Statements

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

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

### Fair values of financial instruments

The carrying value of financial instruments on the consolidated balance sheet as of March 31, 2018 and 2019, and estimated fair value are shown in the following tables. The following tables do not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2 below).

	Millions of yen		
	2018		
	Carrying value	Fair value	Difference
Cash and bank deposits	¥208,055	¥208,055	¥ –
Notes and account receivable, trade	110,613	110,717	104
Securities	3,840	3,840	–
Investment securities	13,448	13,456	8
Long-term loans receivable	2,822		
Allowance for doubtful accounts	(24)		
Sub-total	2,798	2,954	156
Total	¥338,754	¥339,021	¥267
Notes and accounts payable	86,658	86,657	(1)
Electronically recorded obligations	49,343	49,343	–
Short-term borrowings	10,000	10,000	–
Current portion of long-term debt	26,471	26,487	16
Current portion of bonds	–	–	–
Income taxes payable	20,605	20,605	–
Straight bonds	20,000	20,038	38
Long-term debt	60,194	60,577	383
Total	¥273,271	¥273,707	¥436
Derivatives	¥ –	¥ –	¥ –

	Millions of yen		
	2019		
	Carrying value	Fair value	Difference
Cash and bank deposits	¥212,423	¥212,423	¥ –
Notes and account receivable, trade	139,312	139,464	152
Securities	2,751	2,751	–
Investment securities	19,067	19,073	6
Long-term loans receivable	3,084		
Allowance for doubtful accounts	(24)		
Sub-total	3,060	3,220	160
Total	¥376,613	¥376,931	¥318
Notes and accounts payable	86,331	86,331	(0)
Electronically recorded obligations	52,449	52,449	–
Short-term borrowings	–	–	–
Current portion of long-term debt	17,762	17,787	25
Current portion of bonds	10,000	10,018	18
Income taxes payable	21,059	21,059	–
Straight bonds	20,000	20,192	192
Long-term debt	72,642	73,113	471
Total	¥280,243	¥280,949	¥706
Derivatives	¥ –	¥ –	¥ –

	Thousands of U.S. dollars		
	2019		
	Carrying value	Fair value	Difference
Cash and bank deposits	\$1,913,893	\$1,913,893	\$ –
Notes and account receivable, trade	1,255,176	1,256,546	1,370
Securities	24,786	24,786	–
Investment securities	171,791	171,844	53
Long-term loans receivable	27,786		
Allowance for doubtful accounts	(216)		
Sub-total	27,570	29,012	1,442
Total	\$3,393,216	\$3,396,081	\$2,865
Notes and accounts payable	777,827	777,827	(0)
Electronically recorded obligations	472,556	472,556	–
Short-term borrowings	–	–	–
Current portion of long-term debt	160,032	160,258	226
Current portion of bonds	90,098	90,260	162
Income taxes payable	189,738	189,738	–
Straight bonds	180,196	181,926	1,730
Long-term debt	654,491	658,734	4,243
Total	\$2,524,938	\$2,531,299	\$6,361
Derivatives	\$ –	\$ –	\$ –

#### Notes:

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

#### Cash and bank deposits

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

#### Notes and accounts receivable, trade

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

#### Securities

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

#### Investment securities

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

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

#### Long-term loans receivable

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

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

#### Notes and accounts payable, Electronically recorded obligations

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

#### Short-term borrowings and income taxes payable

As these are settled in the short term, their fair values approximate carrying values.

#### Straight bonds

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

# Consolidated Financial Statements

Long-term debt including current portion

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

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

Derivatives

Please refer to Note 16. Derivative Transactions.

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Equity securities of affiliates	¥3,605	<b>¥5,083</b>	<b>\$45,797</b>
Unlisted securities	1,099	<b>1,165</b>	<b>10,496</b>
Preferred subscription certificates	0	—	—
Others	2	<b>2</b>	<b>18</b>

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

3) Redemption schedule for monetary receivables and securities with maturity dates at March 31, 2018 and 2019

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

	Millions of yen				
	2019				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
Cash and bank deposits	<b>¥212,423</b>	¥ —	¥ —	¥ —	<b>¥212,423</b>
Notes and accounts receivable, trade	<b>118,429</b>	<b>20,883</b>	<b>0</b>	—	<b>139,312</b>
Securities:					
Negotiable certificate of deposits	<b>2,751</b>				<b>2,751</b>
Investment securities:					
Other securities with maturity dates					
Japanese government bonds, etc.	<b>307</b>	—	—	—	<b>307</b>
Long-term loans receivable	<b>1,360</b>	<b>645</b>	<b>1,016</b>	<b>63</b>	<b>3,084</b>
Total	<b>¥335,270</b>	<b>¥21,528</b>	<b>¥1,016</b>	<b>¥63</b>	<b>¥357,877</b>

	Thousands of U.S. dollars				
	2019				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
Cash and bank deposits	<b>\$1,913,893</b>	\$ —	\$ —	\$ —	<b>\$1,913,893</b>
Notes and accounts receivable, trade	<b>1,067,024</b>	<b>188,152</b>	<b>0</b>	—	<b>1,255,176</b>
Securities:					
Negotiable certificate of deposits	<b>24,786</b>	—	—	—	<b>24,786</b>
Investment securities:					
Other securities with maturity dates					
Japanese government bonds, etc.	<b>2,767</b>	—	—	—	<b>2,767</b>
Long-term loans receivable	<b>12,253</b>	<b>5,811</b>	<b>9,154</b>	<b>568</b>	<b>27,786</b>
Total	<b>\$3,020,723</b>	<b>\$193,963</b>	<b>\$9,154</b>	<b>\$568</b>	<b>\$3,224,408</b>

# Consolidated Financial Statements

4) Repayment schedule for short-term borrowings, straight bonds, long-term debt, and lease obligations at March 31, 2018 and 2019

	<i>Millions of yen</i>			<i>Millions of yen</i>		
	2018			2019		
	Short-term borrowings	Straight bonds	Long-term debt	Short-term borrowings	Straight bonds	Long-term debt
Due within 1 year	¥10,000	¥ —	¥26,471	—	¥10,000	¥17,762
Due after 1 year through 2 years	—	10,000	17,551	—	10,000	4,171
Due after 2 years through 3 years	—	10,000	4,171	—	—	5,971
Due after 3 years through 4 years	—	—	5,971	—	—	32,500
Due after 4 years through 5 years	—	—	22,501	—	—	—
Due after 5 years	—	—	10,000	—	10,000	30,000

	<i>Thousands of U.S. dollars</i>		
	2019		
	Short-term borrowings	Straight bonds	Long-term debt
Due within 1 year	—	\$90,098	\$160,032
Due after 1 year through 2 years	—	90,098	37,580
Due after 2 years through 3 years	—	—	53,798
Due after 3 years through 4 years	—	—	292,819
Due after 4 years through 5 years	—	—	—
Due after 5 years	—	90,098	270,294

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2019	2019
Investment securities	¥2,309	¥3,787	\$34,120
Other securities	1,296	1,296	11,677

## 6. Marketable Securities and Investment Securities

(1) Marketable securities classified as held-to-maturity debt securities as of March 31, 2018 and 2019 consisted of the following:

	<i>Millions of yen</i>					
	2018			2019		
	Carrying value	Fair Value	Unrealized gain (loss)	Carrying value	Fair Value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value	¥322	¥329	¥7	¥304	¥307	¥3
Securities whose fair value does not exceed their carrying value	—	—	—	—	—	—
Total	¥322	¥329	¥7	¥304	¥307	¥3

	<i>Thousands of U.S. dollars</i>		
	2019		
	Carrying value	Fair Value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value	\$2,739	\$2,766	\$27
Securities whose fair value does not exceed their carrying value	—	—	—
Total	\$2,739	\$2,766	\$27



# Consolidated Financial Statements

(2) Other securities whose fair value is available as of March 31, 2018 and 2019 consisted of the following:

Millions of yen						
	2018			2019		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
(Securities whose carrying value exceeds their acquisition cost)						
Equity securities	¥12,056	¥6,258	¥5,798	¥17,277	¥10,373	¥6,904
Other	—	—	—	—	—	—
Sub-total	¥12,056	¥6,258	¥5,798	¥17,277	¥10,373	¥6,904
(Securities whose carrying value does not exceeds their acquisition cost)						
Equity securities	¥ 1,070	¥1,127	¥ (57)	¥ 786	¥ 790	¥ (4)
Other	—	—	—	700	744	(44)
Sub-total	¥ 1,070	¥1,127	¥ (57)	¥ 1,486	¥ 1,534	¥ (48)
Total	¥13,126	¥7,385	¥5,741	¥18,763	¥11,907	¥6,856

	Thousands of U.S. dollars		
	2019		
	Carrying value	Acquisition cost	Unrealized gain (loss)
(Securities whose carrying value exceeds their acquisition cost)			
Equity securities	\$155,662	\$ 93,459	\$62,203
Other	—	—	—
Sub-total	\$155,662	\$ 93,459	\$62,203
(Securities whose carrying value does not exceeds their acquisition cost)			
Equity securities	\$ 7,082	\$ 7,118	\$ (36)
Other	6,307	6,703	(396)
Sub-total	\$ 13,389	\$ 13,821	\$ (432)
Total	\$169,051	\$107,280	\$61,771

(3) Other securities sold for the year ended March 31, 2018 and 2019 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2019	2019
Equity securities:			
Proceeds from sales	¥4	¥593	\$5,343
Gain on sales	4	493	4,442
Loss on sales	—	—	—

## 7. Inventories

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2019	2019
Real estate for sale	¥ 71,651	¥ 87,231	\$785,936
Costs and advances for real estate operations	67,700	78,078	703,469
Real estate for development projects	23,395	24,065	216,821
	¥162,746	¥189,374	\$1,706,226

(4) Impairment of investment in securities

For the fiscal year ended March 31, 2019

The Company recorded impairment losses of ¥366 million (\$3,298 thousand) on other 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.

## 8. Property and Equipment and Intangible Assets

(1) Property and equipment as of March 31, 2018 and 2019 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2019	2019
Buildings and structures	¥ 62,687	¥ 68,437	\$ 616,605
Machinery, vehicles, equipment and furniture	7,416	8,965	80,773
Land	64,664	75,978	684,548
Leased assets	10,169	1,282	11,551
Construction in progress	4,945	2,625	23,651
Sub-total	149,881	157,287	1,417,128
Accumulated depreciation	(24,756)	(22,612)	(203,730)
	¥125,125	¥134,675	\$1,213,398

# Consolidated Financial Statements

- (2) Intangible assets as of March 31, 2018 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Land leasehold rights	¥1,871	<b>¥1,878</b>	<b>\$16,920</b>
Goodwill	3,545	<b>2,997</b>	<b>27,002</b>
Other	1,799	<b>2,593</b>	<b>23,364</b>
	<u>¥7,215</u>	<u><b>¥7,468</b></u>	<u><b>\$67,286</b></u>

- (3) Net gain (loss) on disposal or sales of property and equipment and intangible assets for the years ended March 31, 2018 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Buildings and structures	¥ 411	<b>¥ (55)</b>	<b>\$ (496)</b>
Machinery, vehicles, equipment and furniture	(9)	<b>(18)</b>	<b>(162)</b>
Land	3,022	<b>146</b>	<b>1,316</b>
Leased assets	(3)	<b>(3)</b>	<b>(27)</b>
Other	(0)	<b>(1)</b>	<b>(9)</b>
	<u>¥3,421</u>	<u><b>¥ 69</b></u>	<u><b>\$ 622</b></u>

- (4) Impairment loss on fixed assets

The Company and its consolidated domestic subsidiaries recognized impairment losses on the following fixed assets for the years ended March 31, 2018 and 2019:

2018

Use	Type	Location	Number of cases
Real estate for service-related business	Land and buildings etc.	Urawa-ku, Saitama, etc.	8
Asset for service-related business	Machinery, equipment and furniture etc.	Tsuzuki-ku, Yokohama, etc.	4

2019

Use	Type	Location	Number of cases
Asset for construction-related business	Equipment and furniture	Minato-ku, Tokyo	2
Real estate for service-related business	Land and buildings etc.	Ichikawa-shi, Chiba, etc.	19
Asset for service-related business	Machinery, equipment and furniture etc.	Chuo-ku, Osaka, etc.	7

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

- (2018)

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

- (2019)

The lowered economic performance and the decision to dispose of the investment, etc in the year ended March 31, 2019 triggered the recognition of impairment, and the carrying values of the those assets have been written down to their recoverable amounts, resulting in impairment losses on fixed assets of ¥652 million (\$5,874 thousand) for the year ended March 31, 2019, which were presented as "Special Losses." on the consolidated statement of income.

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Buildings and structures	¥156	<b>¥585</b>	<b>\$5,270</b>
Equipment and furniture	33	<b>55</b>	<b>496</b>
Land	5	<b>6</b>	<b>54</b>
Land leasehold rights	—	—	—
Leased assets	2	<b>4</b>	<b>36</b>
Goodwill	—	—	—
Intangible assets	1	<b>2</b>	<b>18</b>
	<u>¥197</u>	<u><b>¥652</b></u>	<u><b>\$5,874</b></u>

- (2018)

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

- (2019)

The recoverable amount is the higher of the net selling price or value in use. The net selling price is based on a comparison approach value for other assets. Value in use is zero as future cash flows are expected to be negative. Moreover, the discount rate is omitted as future cash flows before discounting are expected to be negative.

- (5) Rental Properties

The Company and some of its consolidated subsidiaries own residential properties for lease, office buildings for lease (including land), commercial facilities for lease, etc. mainly in the Tokyo metropolitan area and the Kinki area. Income/expenses of the leasing business related to the rental properties for the years ended March 31, 2018 and 2019 were ¥2,224 million and ¥2,454 million (\$22,110 thousand) and gains on sales(recorded as "Special Income") were ¥3,527 million and ¥10 million (\$90 thousand), respectively.



# Consolidated Financial Statements

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

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Book value:			
Balance at the beginning of the year	¥65,344	¥66,810	\$601,946
Increase/decrease	1,467	17,783	160,222
Balance at the end of the year	66,811	84,593	762,168
Fair value	¥72,244	¥92,378	\$832,309

Notes:

- 1) The rental properties are recorded on the consolidated balance sheet at their acquisition costs net of accumulated depreciation and impairment losses.
- 2) Of the amount of increase (decrease) for the year ended March 2018, the amount of increase is primarily attributable to acquisition of real estate (¥14,216 million), the amount of decrease is primarily attributable to sale of real estate (¥12,039 million) and depreciation (¥564 million).

Of the amount of increase (decrease) for the year ended March 2019, the amount of increase is primarily attributable to acquisition of real estate (¥24,354 million, \$219,425 thousand) and to transfer to rental properties (¥6,909 million, \$62,249 thousand), the amount of decrease is primarily attributable to transfer to real estate for sale (¥12,358 million, \$111,343 thousand) and depreciation (¥841 million, \$7,577 thousand).

- 3) The fair value at the end of the current fiscal year is the appraisal value taken from the real estate appraisal reports for major properties; and the calculations by the Company in accordance with the "Real Estate Appraisal Standards" for others. However, for certain properties the value at the time of acquisition or value obtained using a general fair value calculation formula is stated as the fair value at the end of the current fiscal year when there has been no significant fluctuation in the index which is deemed to be a kind of appraised value or appropriately reflect market value since they were acquired or most recently appraised.

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

- (1) The following is a summary of the interest bearing debt as of March 31, 2018 and 2019:

	Average interest rate	Millions of yen		Thousands of U.S. dollars
		2018	2019	2019
Short-term borrowings	—	¥ 10,000	¥ —	\$ —
Current portion of long-term debt	1.04%	26,471	17,762	160,032
Current portion of lease obligations	1.58%	962	203	1,829
Straight bond due Nov. 5, 2019	0.44%	10,000	10,000	90,098
Straight bond due Jul. 22, 2020	0.41%	10,000	10,000	90,098
Straight bond due Nov. 1, 2028	0.52%	—	10,000	90,098
Long-term debt due from 2020 to 2034	0.88%	60,194	72,642	654,491
Lease obligations due from 2020 to 2029	1.86%	7,814	313	2,822
Total		¥125,441	¥120,920	\$1,089,468

Note: The weighted average interest rate for the end-of-year balance of outstanding debt is shown as the "average interest rate."

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

- (2) The annual maturities of straight bonds, long-term debt and lease obligations (excluding the current portion) as of March 31, 2019 were as follows:

	Millions of yen				Thousands of U.S. dollars
Year ending March, 31	Straight bonds	Long-term debt	Lease obligations	Total	Total
2021	¥10,000	¥ 4,171	¥137	¥14,308	\$128,913
2022	—	5,971	100	6,071	54,699
2023	—	32,500	58	32,558	293,342
2024	—	—	15	15	135
2025 and thereafter	10,000	30,000	3	40,003	360,420
Total	¥20,000	¥72,642	¥313	¥92,955	\$837,509

- (3) The Company has committed lines of credit available for immediate and stable borrowings with certain five financial institutions as of March 31, 2018 and 2019. The lines of credit and unused lines of credit as of March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Line of credit	¥63,000	¥63,000	\$567,619
Amount utilized	—	—	—
Unused line of credit	¥63,000	¥63,000	\$567,619

- (4) One consolidated subsidiary has concluded an overdraft agreement with a financial institution in order to secure stable and flexible procurement of operating funds. The balance of the unexecuted portion as of March 31, 2018 and 2019 based on this agreement were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Overdraft limit	¥1,300	¥1,300	\$11,713
Amount utilized	—	—	—
Amount unused	¥1,300	¥1,300	\$11,713

## 10. Collateral

- (1) Assets provided as collateral as of March 31, 2018 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash and bank deposits	¥552	¥—	\$—

Secured liabilities as of March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Notes and accounts payable	¥350	¥—	\$—
Guaranteed obligation	354	—	—
	¥704	¥—	\$—

# Consolidated Financial Statements

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Notes and accounts receivable, trade	¥3,457	¥2,768	\$24,939
Buildings and structures	61	57	514
Other current assets	26	20	180
	¥3,544	¥2,845	\$25,633

Secured liabilities as of March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Current portion of long-term debt	¥ 636	¥ 636	\$ 5,730
Long-term debt	2,543	1,907	17,182
	¥3,179	¥2,543	\$22,912

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

(2018)

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

(2019)

Shares of HC Katsushimacho Jutaku Inc. (¥9 million, \$81 thousand) owned by Haseko Corporation and Haseko Community Inc.  
Loans receivable (¥157 million, \$1,415 thousand) lent by Haseko Corporation to HC Katsushimacho Jutaku Inc.

## 11. Contingent Liabilities

The Company was contingently liable for guarantees on bank loans and other guarantees as of March 31, 2018 and 2019 as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Customers using housing loans and other loans to purchase real estate	¥57,577	¥36,953	\$332,940

## 12. Lease Transactions

(1) Finance lease transactions

(a) Details of leased assets

Leased assets are mainly high voltage power collective receiving facilities in the "Service-Related Business."

(b) Depreciation method of leased assets

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

(2) Operating lease transactions

(As lessee)

Outstanding future minimum lease payments under noncancelable operating leases as of March 31, 2018 and 2019 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Within one year	¥ 1,931	¥ 1,444	\$ 13,010
Over one year	13,294	12,589	113,425
Total	¥15,225	¥14,033	\$126,435

(As lessor)

Outstanding future minimum lease income under noncancelable operating leases as of March 31, 2018 and 2019 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Within one year	¥ 652	¥ 848	\$ 7,640
Over one year	11,313	11,660	105,055
Total	¥11,965	¥12,508	\$112,695

## 13. Supplementary Profit and Loss Information

(1) Sales from construction contracts calculated according to the percentage-of-completion method were ¥470,280 million and ¥486,491 million (\$4,383,197 thousand) for the years ended March 31, 2018 and 2019, respectively.

(2) Allowance for losses on construction contracts included in cost of sales for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Construction contracts	¥20	¥418	\$3,766
Design and supervision	13	44	396

# Consolidated Financial Statements

- (3) Valuation losses on inventories included in cost of sales for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Real estate	¥102	¥64	\$577

- (4) Selling, general and administrative expenses for the years ended March 31, 2018 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Salaries and allowances	¥21,389	¥20,565	\$185,287
Provision for bonuses for employees	3,347	2,890	26,038
Provision for bonuses for directors	190	174	1,568
Provision for employee stock ownership plan	313	304	2,739
Provision for board benefit trust	91	100	901
Retirement benefit expenses	651	723	6,514
Rent	3,234	3,211	28,931
Depreciation	941	1,673	15,073
Amortization	663	2,267	20,425
Other	25,621	27,514	247,896
Total	¥56,440	¥59,421	\$535,372

- (5) Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Research and development costs	¥1,343	¥1,850	\$16,668

## (2) Dividends

- (a) Dividends paid  
In the year ended March 31, 2018

Resolution	Type of shares	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual meeting of shareholders on June 29, 2017	Common stock	¥9,018	¥30.00	March 31, 2017	June 30, 2017
Board of Directors on November 10, 2017 (Note)	Common stock	¥3,006	¥10.00	September 30, 2017	December 6, 2017

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

## 14. Net Assets

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

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

Notes:

- The increase of 3,247,706 shares in the number of treasury stock of the Company's common stock comprises 3,242,000 shares held by the BBT and the Stock-Granting ESOP as trust assets and 5,706 shares purchased by the Company through request for purchase of shares less than one standard unit.
- Decrease in treasury stock due to the request by shareholders for sale of shares less than one standard unit.

Changes in number of shares issued and treasury stock for the year ended March 31, 2019 were as follows:

	Number of shares			2019
	2018	Increase	Decrease	
Shares issued: Common stock	300,794,397	—	—	300,794,397
Treasury stock: Common stock (Notes 1 and 2)	3,439,632	3,597	32,326	3,410,903

Notes:

- Increase in treasury stock due to the request by shareholders for purchase of shares less than one standard unit.
- Decrease in treasury stock due to the grant by the BBT and the Stock-Granting ESOP held as trust assets.

# Consolidated Financial Statements

In the year ended March 31, 2019

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 meeting of shareholders on June 28, 2018 (Note1)	Common stock	<b>¥12,024</b>	<b>\$108,334</b>	<b>¥40.00</b>	<b>\$0.36</b>	March 31, 2018	June 29, 2018
Board of Directors on November 9, 2018 (Note 2)	Common stock	<b>¥ 3,006</b>	<b>\$ 27,084</b>	<b>¥10.00</b>	<b>\$0.09</b>	September 30, 2018	December 6, 2018

Notes:

1) The total amount of dividends includes ¥130 million (\$1,171 thousand) 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 ¥32 million (\$288 thousand) as dividends to the Company's shares held by the BBT and the Stock-Granting ESOP as trust assets.

(b) Dividends with the cut-off date in the year ended March 31, 2019 and the effective date in the year ending March 31, 2020

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 meeting of shareholders on June 28, 2019 (Note)	Common stock	<b>¥21,042</b>	<b>\$189,585</b>	<b>¥70.00</b>	<b>\$0.63</b>	March 31, 2019	June 28, 2019

Note: The total amount of dividends includes ¥225 million (\$2,027 thousand) as dividends to the Company's shares held by the BBT and the Stock-Granting ESOP as trust assets.

## 15. Cash and Cash Equivalents

(1) A reconciliation between cash and cash equivalents on the consolidated statement of cash flows and the cash and bank deposits on the consolidated balance sheet as of March 31, 2018 and 2019 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2018	2019
Cash and bank deposits	¥208,055	<b>¥212,423</b>
Time deposits pledged as collateral	(552)	—
Saving accounts for insurance agency	(537)	<b>(641)</b>
Negotiable certificates of deposit, which were included in Securities	—	<b>1,316</b>
Restricted deposit	(100)	<b>(118)</b>
Cash and cash equivalents	<b>¥206,866</b>	<b>\$1,918,912</b>

(2) The major components of assets and liabilities transferred as a result of a business transfer in exchange for cash and cash equivalents:

The major components of assets and liabilities transferred as of the transfer date and the transfer price and proceeds from the transfer the Smart Condominium Business from Haseko Anesis Corporation to Next Power Company is as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Current assets	<b>¥804</b>	<b>\$7,244</b>
Fixed assets	<b>7,104</b>	<b>64,006</b>
Current liabilities	<b>(691)</b>	<b>(6,226)</b>
Long-term liabilities	<b>(7,217)</b>	<b>(65,033)</b>
Gain on business transfer	<b>21,349</b>	<b>192,351</b>
Other	<b>(144)</b>	<b>(1,297)</b>
Cash and cash equivalents	<b>(804)</b>	<b>(7,244)</b>
Gain on transfer of business	<b>20,401</b>	<b>183,810</b>

## 16. Derivative Transactions

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

			As of March 31, 2018		
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 debt	¥54,225	¥51,010	(Note)
As of March 31, 2019					
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 debt	<b>¥61,010</b>	<b>¥57,795</b>	(Note)
(Thousands of U.S. dollars)					
			<b>\$549,689</b>	<b>\$520,723</b>	

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

There were no derivative transactions for which hedge accounting was not applied as of March 31, 2018 and 2019.

# Consolidated Financial Statements

## 17. Retirement Benefit Plans

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

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

- (1) The changes in the retirement benefit obligation during the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at the beginning of the year	¥50,710	¥51,525	\$464,231
Service cost	2,747	2,821	25,417
Interest cost	98	100	901
Actuarial gain or loss	263	1,775	15,992
Retirement benefit paid	(2,293)	(2,405)	(21,668)
Other	—	17	153
Balance at the end of the year	¥51,525	¥53,833	\$485,026

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at the beginning of the year	¥53,859	¥60,310	\$543,382
Expected return on plan assets	1,313	1,474	13,280
Actuarial gain or loss	673	(849)	(7,649)
Contributions by the Company	6,030	6,445	58,068
Retirement benefits paid	(2,138)	(2,372)	(21,371)
Other	573	374	3,370
Balance at the end of the year	¥60,310	¥65,382	\$589,080

- (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, 2018 and 2019.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Funded retirement benefit obligation	¥ 50,715	¥ 52,881	\$ 476,448
Plan assets at fair value	(60,310)	(65,382)	(589,080)
	(9,595)	(12,501)	(112,632)
Unfunded retirement benefit obligation	810	952	8,577
Net liability for retirement benefits in the balance sheet	(8,785)	(11,549)	(104,055)
Liability for retirement benefits	921	1,064	9,586
Asset for retirement benefits	(9,706)	(12,613)	(113,640)
Net liability for retirement benefits in the balance sheet	¥ (8,785)	¥ (11,549)	\$(104,054)

- (4) The components of retirement benefit expense for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Service cost	¥ 2,343	¥ 2,519	\$ 22,696
Interest cost	98	100	901
Expected return on plan assets	(1,313)	(1,474)	(13,280)
Amortization of actuarial loss	811	790	7,118
Amortization of prior service cost	(441)	(383)	(3,451)
Retirement benefit expense	¥ 1,498	¥ 1,552	\$ 13,984

Notes:

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

- (5) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Actuarial loss	¥ (441)	¥ (383)	\$ (3,451)
Prior service cost	1,221	(1,835)	(16,533)
Total	¥ 780	¥ (2,218)	\$(19,984)

- (6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unrecognized prior service cost	¥ (897)	¥ (514)	\$ (4,631)
Unrecognized actuarial loss	8,660	10,495	94,558
Total	¥ 7,763	¥ 9,981	\$89,927

# Consolidated Financial Statements

- (7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2018 and 2019 were as follows:

	2018	2019
Bonds	50%	<b>56%</b>
Stocks	24%	<b>19%</b>
Alternative investments (Note)	16%	<b>15%</b>
Life insurance general accounts, etc.	10%	<b>10%</b>
Total	100%	<b>100%</b>

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:

	2018	2019
Discount rates	0.2% - 0.4%	<b>0.2% - 0.4%</b>
Expected rates of return on plan assets	2.5%	<b>2.5%</b>

- (9) Defined Contribution Plan

The required contributions to the defined contribution plans of consolidated subsidiaries for the years ended March 31, 2018 and 2019 were ¥14 million and ¥13 million (\$118 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, 2018 and 2019 were ¥16 million and ¥17 million (\$153 thousand), respectively. Furthermore, Osaka Architect Pension Fund, in which one of the Company's consolidated subsidiaries had participated, dissolved with permission of the Minister of Health, Labour and Welfare on May 31, 2017. In accordance with this, the relevant consolidated subsidiary was transferred to Osaka Architect Corporate Pension Fund, the successor fund newly established on June 1, 2017. Since the new fund had not completed its first annual financial closing for the year ended March 31, 2017, no description is given in this report as to (1) the latest deposit status under the multi-employer pension fund system, (2) the percentage attributable to the Haseko Group in the annuity consideration under the multi-employer pension fund system, and (3) supplementary explanation for the fiscal year ended March 31, 2017.

The most recent funded status was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Pension assets	¥-	¥ 3,462	\$ 32,587
Total of the amount of actuarial obligations under pension funding program and minimum policy reserves	-	5,363	50,480
Difference	¥-	¥(1,901)	\$(17,893)

The U.S. dollar amounts are calculated by the prevailing exchange rate on March 31, 2018, which was ¥106.24=U.S.\$1.

The average contribution ratio to total contributions made to all plans for the year ended March 31, 2018 was 5.35%. This ratio does not accord with the actual contribution ratio of the Company group.

The differences of ¥(1,901) million (\$17,893) thousand as described above was due to prior service cost under pension funding programs ¥(1,826) million (\$17,188) thousand and special reserve fund ¥(75) million (\$706) thousand.

Prior service costs under this program are amortized using the straight-line method (8 years and 8 months)

## 18. Income Taxes

- (1) The significant components of deferred tax assets and liabilities as of March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Deferred tax assets:			
Allowance for doubtful accounts	¥ 240	¥ 225	\$ 2,027
Accrued business tax	1,323	1,211	10,911
Warranty	1,530	1,858	16,740
Accrued bonuses for employees	1,930	1,957	17,632
Liability for retirement benefits	288	346	3,117
Valuation loss on real estate for sale	4,702	4,515	40,679
Impairment loss on fixed assets	2,340	1,643	14,803
Valuation loss on investment securities	528	623	5,613
Revaluation of assets on consolidation	2,299	12,543	113,010
Consideration for business transfer	-	1,531	13,794
Tax loss carry forwards	21,731	5,745	51,761
Other	7,012	7,830	70,549
Sub-total	43,922	40,027	360,636
Valuation allowance pertaining to tax loss carry forwards	-	(5,221)	(47,040)
Valuation allowance pertaining to total deductible temporary difference	-	(19,010)	(171,277)
Valuation allowances (sub-total) (Note 2)	(30,482)	(24,231)	(218,317)
Total deferred tax assets	13,440	15,796	142,319
Deferred tax liabilities:			
Unrealized gain on other securities	(1,467)	(1,805)	(16,263)
Prepaid pension cost	(2,979)	(3,874)	(34,904)
Revaluation of assets on consolidation	(1,585)	(195)	(1,757)
Other	(719)	(589)	(5,306)
Total deferred tax liabilities	(6,750)	(6,463)	(58,230)
Net deferred tax assets	¥ 6,690	¥ 9,333	\$ 84,089

Notes:

- Valuation loss on real estate for sale includes ¥44 million and ¥44 million (\$396 thousand) as of March 31, 2018 and 2019, respectively, for properties that were reclassified from "Current Assets" to "Property and Equipment" following a change in holding purpose.
- Valuation allowances decreased year on year by ¥6,251 million (\$56,320 thousand). The decrease is mainly due to the following. Four of the Company's consolidated subsidiaries are to be newly incorporated into the consolidated corporate-tax system as of April 1, 2019. In accordance with this, the taxable income before deducting tax loss carry forwards increased as of the end of the fiscal year due to revaluation of assets for tax purposes of the relevant consolidated subsidiaries, but the increase was offset by the tax loss carry forwards. As a result of this and other factors, the valuation allowances for the tax loss carry forwards decreased by ¥15,283 million (\$137,697 thousand). In addition, the Company newly recognized valuation allowances of ¥8,621 million (\$77,665 thousand) for property and equipment due to the said revaluation of assets.

# Consolidated Financial Statements

3) Tax loss carry forwards and related deferred tax assets expire as follow

As of March 31, 2019

	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)	¥ 2,395	¥ 582	¥ 360	¥ 650	¥ 139	¥ 1,619	¥ 5,745
Valuation allowance	(2,392)	(581)	(360)	(650)	(139)	(1,099)	(5,221)
Deferred tax assets	3	1	—	—	—	520	524 (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)	\$ 21,579	\$ 5,244	\$ 3,244	\$ 5,856	\$ 1,252	\$14,586	\$ 51,761
Valuation allowance	(21,551)	(5,235)	(3,244)	(5,856)	(1,252)	(9,902)	(47,040)
Deferred tax assets	27	9	—	—	—	4,685	4,721 (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 ¥524 million (\$4,721 thousand) for tax loss carry forwards of ¥5,745 million (\$51,761 thousand) (the amount multiplied by the statutory tax rate). The said deferred tax assets of ¥524 million (\$4,721 thousand) represent the amount at which the Company recognized for part of the tax loss carry forwards totaling ¥5,745 million (\$51,761 thousand) for Haseko Community Inc. and 12 other consolidated subsidiaries. The deferred tax assets recognized for the tax carry forwards resulted from losses of ¥3 million (\$27 thousand) for the fiscal year ended March 31, 2011, ¥1 million (\$9 thousand) for the fiscal year ended March 31, 2012, ¥219 million (\$1,973 thousand) for the fiscal year ended March 31, 2017, ¥159 million (\$1,433 thousand) for the fiscal year ended March 31, 2018 and ¥142 million (\$1,279 thousand) for the fiscal year ended March 31, 2019, respectively (the amount multiplied by the statutory tax rate for each), as calculated by Haseko Community Inc. and 6 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.

(Changes in presentation)

"Accrued business tax", which had been included in "Other" as of March 31, 2018, has been presented separately as of March 31, 2019 due to an increase in its quantitative materiality. To reflect this change in presentation, the note for the previous fiscal year has been restated.

As a result, ¥8,334 million that had been presented as "Other" in the previous fiscal year has been restated as ¥1,323 million for "Accrued business tax" and ¥7,012 million for "Other" in the current fiscal year.

(2) The reconciliation of the statutory tax rate to the effective income tax rate for the years ended March 31, 2018 and 2019 were as follows:

	2018	2019
Statutory tax rate	30.9%	<b>30.6%</b>
(Adjustment)		
Non-deductible expenses	0.5	<b>0.6</b>
Permanent non-taxable items	(0.2)	<b>(0.9)</b>
Per capita inhabitant tax	0.2	<b>0.1</b>
Change in valuation allowances	(12.5)	<b>(7.9)</b>
Tax credit for salary growth	(1.6)	<b>(0.5)</b>
Expiration of tax loss carry forwards	4.1	<b>5.2</b>
Consolidation goodwill	0.8	<b>(0.0)</b>
Tax rate differences between the Company and consolidated subsidiaries	4.4	<b>0.6</b>
Other	1.7	<b>(0.1)</b>
Effective income tax rate	<b>28.2%</b>	<b>27.7%</b>

## 19. Per Share Information

(1) Per share information as of and for the years ended March 31, 2018 and 2019 were as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2018	2019	2019
Net assets per share	¥995.44	<b>¥1,234.13</b>	<b>\$11.12</b>
Net income per share			
Basic	241.98	<b>293.87</b>	<b>2.65</b>
Diluted	—	—	—

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2019	2019
Net income	¥72,289	<b>¥87,391</b>	<b>\$787,377</b>
Net income not attributable to owners of parent	—	—	—
Net income attributable to owners of parent	<b>¥72,289</b>	<b>¥87,391</b>	<b>\$787,377</b>
Weighted average number of shares outstanding (thousands of shares)	298,737	<b>297,380</b>	

Note: Shares owned by the Board Benefit Trust (BBT) and the Stock-Granting ESOP held as trust assets are included in treasury stocks which are deducted in calculating basic profit attributable to owners of parent per share. The average numbers of shares outstanding during the years ended March 31, 2018 and 2019 were 2,057 thousand and 3,414 thousand, respectively, including 1,862 and 3,214 thousand of shares held by the BBT and the Stock-Granting ESOP as trust assets in 2018 and 2019.



# Consolidated Financial Statements

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Net assets	¥296,835	<b>¥368,051</b>	<b>\$3,316,074</b>
Amount not attributable to common shareholders:			
Non-controlling interests	836	<b>1,040</b>	<b>9,371</b>
Net assets attributable to common shareholders	<u>¥295,999</u>	<u><b>¥367,011</b></u>	<u><b>\$3,306,703</b></u>
Number of common shares of the end of the period used in the calculation of the net assets per share (thousands of shares)	297,354	<b>297,383</b>	

Note: Shares owned by the Board Benefit Trust (BBT) and the Stock-Granting ESOP held as trust assets are included in treasury stocks which are deducted in calculating net assets per share. The numbers of the treasury stocks at March 31, 2018 and 2019 were 3,439 thousand and 3,410 thousand, respectively, including 3,242 and 3,209 thousand of shares held by the BBT and the Stock-Granting ESOP as trust assets in 2018 and 2019.

## 20. Segment Information

### Overview of segment information

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

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

Moreover, as a result of applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018) from the beginning of the fiscal year ended March 31, 2019, segment assets as of March 31, 2018 were reclassified to reflect this change in presentation.

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

1. Reportable segment information for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen					
	2018					
	Reportable segments				Adjustments and eliminations (Note )	Consolidated
Sales, income or loss and assets by reportable segments	Construction-related business	Service-related business	Overseas-related business	Total		
Sales to third parties	¥589,776	¥210,895	¥12,605	¥813,276	¥ –	¥813,276
Inter-segment sales and transfer	25,230	4,554	–	29,784	(29,784)	–
Net sales	615,006	215,449	12,605	843,060	(29,784)	813,276
Segment income	91,266	13,841	348	105,455	(4,650)	100,805
Segment assets	¥241,563	¥277,475	¥34,289	¥553,327	¥134,380	¥687,706
Other items						
Depreciation and amortization	¥ 577	¥ 3,072	¥ 8	¥ 3,657	¥69	¥ 3,726
Investment in equity-method affiliates	–	–	16	16	–	16
Capital expenditures	8,155	21,721	9	29,885	905	30,790

  

	Millions of yen					
	2019					
	Reportable segments				Adjustments and eliminations (Note )	Consolidated
Sales, income or loss and assets by reportable segments	Construction-related business	Service-related business	Overseas-related business	Total		
Sales to third parties	¥665,019	¥222,022	¥ 3,940	¥890,981	¥ –	¥890,981
Inter-segment sales and transfer	26,737	5,987	–	32,724	(32,724)	–
Net sales	691,756	228,009	3,940	923,705	(32,724)	¥890,981
Segment income	87,218	15,499	(451)	102,266	(3,836)	98,430
Segment assets	¥264,155	¥381,843	¥32,643	¥678,641	¥ 94,578	773,219
Other items						
Depreciation and amortization	¥ 1,285	¥ 3,204	¥ 10	¥ 4,499	¥ 83	¥ 4,582
Investment in equity-method affiliates	–	–	5	5	–	5
Capital expenditures	4,087	24,846	10	28,943	(68)	28,875



# Consolidated Financial Statements

Thousands of U.S. dollars

2019						
	Reportable segments				Adjustments and eliminations (Note )	Consolidated
	Construction-related business	Service-related business	Overseas-related business	Total		
Sales, income or loss and assets by reportable segments						
Sales to third parties	\$5,991,702	\$2,000,378	\$ 35,499	\$8,027,579	\$ –	\$8,027,579
Inter-segment sales and transfer	240,895	53,942	–	294,837	(294,837)	–
Net sales	6,232,597	2,054,320	35,499	8,322,416	(294,837)	8,027,579
Segment income	785,819	139,643	(4,063)	921,399	(34,562)	886,837
Segment assets	\$2,379,989	\$3,440,337	\$294,108	\$6,114,434	\$ 852,131	\$6,966,565
Other items						
Depreciation and amortization	\$ 11,578	\$ 28,867	\$ 90	\$ 40,535	\$ 748	\$ 41,283
Investment in equity-method affiliates	–	–	45	45	–	45
Capital expenditures	36,823	223,858	90	260,771	(612)	260,519

Notes:

1) Adjustments and eliminations are as follows:

(2018)

- (1) Adjustments and eliminations for segment income include ¥2,208 million of elimination of inter-segment transactions and ¥2,442 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 include ¥5,070 million of elimination of receivables stemming from inter-segment transactions and ¥139,449 million of corporate assets. Corporate assets are primarily comprised of cash and bank deposits of the Company.

(2019)

- (1) Adjustments and eliminations for segment income include ¥723 million (\$6,514 thousand) of elimination of inter segment transactions and ¥3,112 million (\$28,039 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 include ¥8,318 million (\$74,944 thousand) of elimination of receivables stemming from inter-segment transactions and ¥102,896 million (\$927,075 thousand) of corporate assets. Corporate assets are primarily comprised of cash and bank deposits of the Company.

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

2. Impairment loss on fixed assets by reportable segments for the years ended March 31, 2018 and 2019 were summarized as follows:

Millions of yen						
2018						
	Reportable segments				Adjustments and eliminations	Consolidated
	Construction-related business	Service-related business	Overseas-related business	Total		
Impairment loss on fixed assets	¥–	¥197	¥–	¥197	¥–	¥197
Millions of yen						
2019						
	Reportable segments				Adjustments and eliminations	Consolidated
	Construction-related business	Service-related business	Overseas-related business	Total		
Impairment loss on fixed assets	¥6	¥646	¥–	¥652	¥–	¥652
Thousands of U.S. dollars						
2019						
	Reportable segments				Adjustments and eliminations	Consolidated
	Construction-related business	Service-related business	Overseas-related business	Total		
Impairment loss on fixed assets	\$54	\$5,820	\$–	\$5,874	\$–	\$5,874

3. The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2018 and 2019 by reportable segment:

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

# Consolidated Financial Statements

Millions of yen						
2019						
Reportable segments						
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Amortization	¥-	¥2,267	¥-	¥2,267	¥-	¥2,267
Balance as of March 31	¥-	¥2,997	¥-	¥2,997	¥-	¥2,997
Thousands of U.S. dollars						
2019						
Reportable segments						
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Amortization	\$-	\$20,425	\$-	\$20,425	\$-	\$20,425
Balance as of March 31	\$-	\$27,002	\$-	\$27,002	\$-	\$27,002

## 4. Information by product and service

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

## 5. Geographical information

### (1) Net sales

Net sales information is omitted since net sales to external customers in Japan exceeds 90% of net sales recorded in the consolidated statement of income for the years ended March 31, 2018 and 2019.

### (2) Property and equipment

Property and equipment information is omitted, since the amount of property and equipment located in Japan exceeds 90% of the amount of property and equipment recorded in the consolidated balance sheet as of March 31, 2018 and 2019.

## 6. Information by major customers

(2018)

Name	Net sales	Segment
Sumitomo Realty & Development Co., Ltd.	¥84,732 million	Construction-related business & Service-related business

(2019)

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.

## 21. Related Party Transactions

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

The corresponding balances as of March 31, 2018 and 2019 and the amounts of these transactions for the years then ended are summarized as follows:

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

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

Notes:

1) Price and other transaction terms are determined in a similar manner for general transactions.

2) National and local consumption taxes are not included in the transaction amount and the balance at end of fiscal year.

Fiscal year ended March 31, 2019 (April 1, 2018 – March 31, 2019)

Not applicable.

# Consolidated Financial Statements

## 22. Other Comprehensive Income

Reclassification adjustments and tax effects on components of other comprehensive income for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Net unrealized gain (loss) on other securities:			
Amount arising during the year	¥ 3,738	¥ 1,113	\$ 10,028
Reclassification adjustments for gains (losses) recognized in net income	—	—	—
Amount before tax effect	3,738	1,113	10,028
Tax effect	(1,090)	(338)	(3,045)
Net unrealized gain (loss) on other securities	2,648	775	6,983
Translation adjustments:			
Amount arising during the year	(929)	(625)	(5,631)
Retirement benefits liability adjustments:			
Amount arising during the year	410	(2,624)	(23,642)
Reclassification adjustments for gains (losses) recognized in net income	370	407	3,667
Amount before tax effect	780	(2,217)	(19,975)
Tax effect	(235)	679	6,118
Retirement benefit liability adjustments	545	(1,538)	(13,857)
Share of other comprehensive income (loss) of affiliates accounted for by the equity method:			
Amount arising during the year	—	—	—
Total other comprehensive income (loss)	¥ 2,264	¥ (1,388)	\$ (12,505)

## 23. Business Combination, etc.

### Business Divestiture

The Company and Haseko Anesis Corporation, a consolidated subsidiary, decided to transfer the services of high-voltage bulk power purchasing and electric power retailing for common areas of condominiums (hereinafter, the "Smart Condominium Business") provided by Haseko Anesis Corporation to Next Power Company at the meeting held on April 19, 2018 and completed the sale of the business on July 1, 2018. Under this transaction, the assets and liabilities held by Haseko Anesis Corporation regarding the Smart Condominium Business were succeeded to Next Power Company by way of company split (absorption-type split).

### 1. Overview of the business split

#### (1) Successor company

1) Name:	Next Power Company
2) Address:	4F, Sumitomo Fudosan Ningyocho Bldg., 2-1 Nihonbashihoridomecho 2-chome, Chuo-ku, Tokyo
3) Representative:	Koji Furusawa, President and Representative Director
4) Business description:	Bulk electric power purchasing and distribution for apartments Design of electric facilities Construction work and maintenance of electric facilities
5) Paid-in capital:	¥23 billion

- (2) Business to be split  
Smart Condominium Business

#### (3) Reason for the absorption-type split

The Haseko Group has worked to expand the services of the Smart Condominium Business provided by Haseko Anesis Corporation to condominium residents as an effort to secure the number of units covered by the business and enhance the quality of the services. For users of the services to enjoy greater convenience in the future, however, the Company has decided to transfer the business to Next Power Company, a fully-owned subsidiary of The Kansai Electric Power Company, Incorporated, one of Japan's leading companies in the energy field.

- (4) Schedule of the absorption-type split  
July 1, 2018

- (5) Legal form of business combination  
Absorption-Type Split in exchange for a cash consideration

### 2. Summary of accounting treatment used:

- (1) Gain on transfer  
Gain on transfer of business ¥21,349 million (\$192,351 thousand)
- (2) Book value of assets and liabilities related to the transferred business and main breakdown

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Current assets	¥ 804	\$ 7,244
Fixed assets	7,104	64,006
Total assets	7,908	71,250
Current liabilities	691	6,226
Long-term liabilities	7,217	65,033
Total liabilities	7,908	71,259

3. Reporting Segment of the Separated Business:  
Service-related Business

4. Estimated profit related to the separated business recorded in the consolidated statement of income for the fiscal year ended March 31, 2019:

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Net sales	¥2,330	\$20,993
Gross profit	187	1,685

# Consolidated Financial Statements

## Independent Auditor's Report

The Board of Directors  
HASEKO Corporation

We have audited the accompanying consolidated financial statements of HASEKO Corporation, and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of HASEKO Corporation, and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

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

*Ernst & Young Skinnikoh LLC*

June 27, 2019  
Tokyo, Japan

A member firm of Ernst & Young Global Limited