Analysis of Financial Condition and Business Performance

Five-Year Summary
Haseko Corporation and its Consolidated Subsidiaries
(Years ended March 31, 2017, 2018, 2019, 2020 and 2021)

	Millions of Yen				
	2017	2018	2019	2020	**2021**
For the Year:					
Net sales	¥772,328	¥813,276	¥890,981	¥846,029	**¥809,438**
Cost of sales	629,454	656,031	733,130	699,268	**673,207**
Selling, general and administrative expenses	53,842	56,440	59,421	60,837	**63,322**
Operating income	89,032	100,805	98,430	85,925	**72,909**
Ordinary income	88,827	100,497	100,369	85,253	**71,832**
Income before income taxes	78,256	101,021	121,241	87,155	**70,866**
Net income attributable to owners of parent	58,762	72,289	87,391	59,851	**48,258**
For the Year:					
Cash flows from operating activities	109,536	56,516	33,064	(15,263)	**31,876**
Cash flows from investing activities	(19,824)	(16,351)	(14,473)	(37,222)	**(35,772)**
Cash flows from financing activities	(40,213)	(34,743)	(12,379)	(8,356)	**66,799**
Cash and cash equivalents at end of the year	201,456	206,866	212,980	151,754	**214,299**
At Year-end:					
Total current assets	¥478,611	¥505,271	¥568,303	¥572,334	**¥689,527**
Total assets	630,937	687,706	773,219	799,319	**953,659**
Total current liabilities	270,002	280,896	287,317	247,346	**271,963**
Total long-term liabilities	122,469	109,975	117,851	164,291	**287,331**
Total shareholders' equity	245,358	301,245	373,645	401,187	**402,855**
Net assets	238,467	296,835	368,051	387,682	**394,365**
	Yen				
Per Share Data:					
Net income attributable to owners of parent	¥195.48	¥241.98	¥293.87	¥201.36	**¥168.62**
Net assets	791.24	995.44	1,234.13	1,323.51	**1,425.93**
Ratios:					
Profit ratio of construction contracts (%)	19.2	21.1	18.6	17.6	**17.0**
Operating income ratio (%)	11.5	12.4	11.0	10.2	**9.0**
Equity ratio (%)	37.7	43.0	47.5	48.5	**41.4**
Return on equity (%)	27.8	27.1	26.4	15.9	**12.3**
Price/Earnings ratio (times)	6.16	6.69	4.74	5.75	**9.19**
Payout ratio (%)	15.3	20.7	27.2	34.8	**41.5**
Number of employees	6,602	6,816	6,974	7,315	**7,415**

(1) Business Performance for the Fiscal Year Ended March 2021

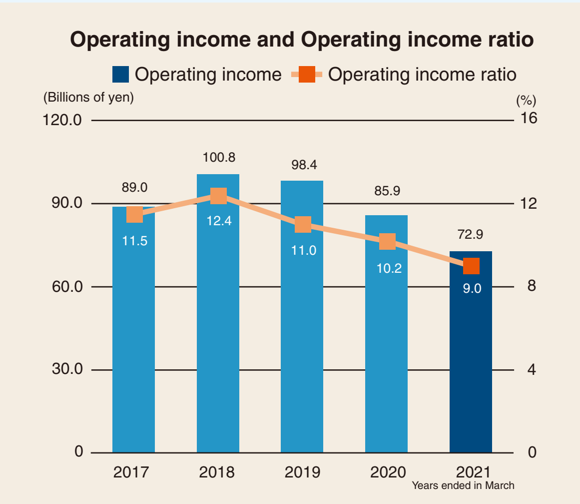
In the fiscal year ended March 2021, the Japanese economy remained in a severe situation under the impact of the spread of COVID-19 continuing from the latter half of the previous fiscal year. Under such circumstances, new supply of condominium units in the fiscal year under review stood at 29,032 units (up 1.6% year on year) in the Tokyo metropolitan area and 16,239 units (down 7.0% year on year) in the Kinki area. Impacted by the spread of COVID-19, new supply in the first quarter of the fiscal year decreased significantly year on year. It made an upward turn, however, in the second quarter and thereafter, with the annual figure surpassing the year-earlier results in the Tokyo metropolitan area. The initial-month sales rate, which serves as the benchmark for the status of sales, was 67.9% (up 6.6 percentage points year on year) in the Tokyo metropolitan area. Although it remained at the 60% level for the fifth consecutive year, the rate turned to an increase from the previous fiscal year. In the Kinki area, the figure surpassed 70% to stand at 72.5% (down 0.6 percentage points year on year). The number of for-sale units being marketed as of the end of March 2021 decreased to 7,357 units (down 6.7%) in the Tokyo metropolitan area, where inventory sales also remained strong, while the figure increased to 3,528 units (up 29.2%) in the Kinki area, partly due to recovery in new supply of condominium units in the second quarter and thereafter. An analysis of products supplied in the fiscal year shows that the unit price stayed almost flat at 905 thousand yen/m^2 (up 0.4%) in the Tokyo metropolitan area, but the average market price dropped to 59.94 million yen (down 1.0%) as the average unit space decreased to 66.20 m^2 (down 1.5%), compared with the previous fiscal year. In the Kinki area, the average market price rose to 41.60 million yen (up 6.6%), as the unit price increased to 698 thousand yen/m^2 (up 1.0%) and the average unit space expanded to 59.62 m^2 (up 5.5%) due to a significant decrease in the supply of condominiums with studio units.

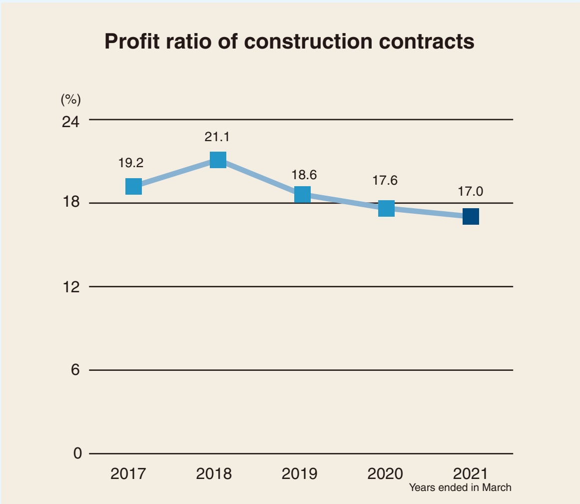
Given such situations, for the fiscal year under review, which represents the first year of the "Haseko Next Stage Plan" (Plan NS), the Company's medium-term business plan, the Haseko Group steadily accumulated profits as deliveries of new for-sale condominiums by consolidated companies in the Real Estate-Related Business progressed smoothly, although the gross profit margin of completed construction contracts in the Construction-Related Business decreased and the Service-Related Business saw the volume of construction works in large-scale repairs, interior remodeling and management of for-sale condominiums significantly impacted by COVID-19. Consequently, the Haseko Group achieved ordinary income of 71.8 billion yen, surpassing 70.0 billion yen forecast at the beginning of the fiscal year.

As a result of the above, both sales and profits for the fiscal year ended March 2021 decreased year on year. Net sales fell by 4.3% to 809.4 billion yen mainly due to a decrease in the volume of condominium construction works. Operating income was down 15.1% at 72.9 billion yen due to the decrease in the volume of condominium construction works as well as a decrease in profit on construction associated with lowered gross profit margin of completed construction contracts for condominium construction works. Ordinary income stood at 71.8 billion yen, down 15.7%, and net income attributable to owners of parent decreased 19.4% to 48.3 billion yen, both compared with the previous fiscal year. The operating income ratio was 9.0% (down 1.2 percentage points) and ordinary income ratio came to 8.9% (down 1.2 percentage points)

(2) Performance by Segment

As the Company positioned "expansion of investment in real estate-related business" as one of its new focused strategies in the medium-term business plan that started in the current fiscal year, it changed the classification of its reportable segments, in which





Analysis of Financial Condition and Business Performance

Performance by segment is described below.

Billions of yen

	Construction-Related Business		Real Estate-Related Business		Service-Related Business		Overseas-Related Business	
Net sales	611.9	(-19.0)	74.3	(+4.7)	185.7	(-8.4)	0.7	(+0.3)
Operating income	64.6	(-9.3)	8.5	(-0.0)	7.0	(-4.8)	-1.1	(+2.6)

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

part of the Construction-Related Business and the Service-Related Business has been separated as the Real Estate-Related Business, starting in the first quarter of the fiscal year.

Furthermore, the period-on-period changes stated below represent comparisons with the figures in the previous fiscal year after reclassifying them as categories of the new reporting segments.

Construction-Related Business

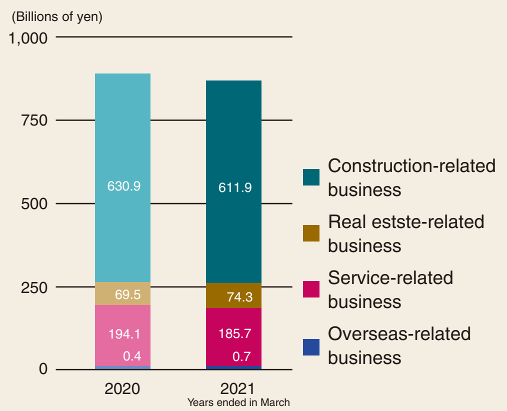
For construction works, project owners have had high regard for the Company's ability in gathering land information as well as product planning, its attitude regarding construction quality and maintaining construction schedules, efficient production system, and such. Meanwhile, the gross profit margin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

In terms of orders for new construction of for-sale condominiums, the Company won orders for 93 projects in total throughout Japan consisting of 67 in the Tokyo metropolitan area including 17 large projects of at least 200 units and 26 in the Kinki and Tokai areas including 11 large projects of at least 200 units. In addition, aside from construction of for-sale condominiums, the Company received orders for 11 projects including non-residential properties.

As for construction completion, the Company completed construction of 107 projects including 13 projects for rental housing, etc.

The segment posted sales of 611.9 billion yen, a year-on-year decrease of 3.0%, mainly due to the decrease in the volume of condominium construction works. Operating income totaled 64.6 billion yen, a year-on-year decrease of 12.6%, due to the decrease in the volume of condominium construction works as well as a decrease in profit on construction associated with lowered gross profit margin of completed construction contracts for condominium construction works.

Sales breakdown by reportable segment



Real Estate-Related Business

The Company saw a drop in the real estate handling volume, partly because of the reaction to the sale of large rental properties conducted in the previous fiscal year. However, the segment posted sales of 74.3 billion yen, a year-on-year increase of 6.8%, as deliveries of new for-sale condominiums by consolidated companies progressed smoothly. Operating income remained flat from the previous fiscal year at 8.5 billion yen, down 0.0%.

Service-Related Business

Sales and profits for large-scale repair work and interior remodeling decreased year on year, partly due to management associations suspending their activities in accordance with the first declaration of a state of emergency (issued in April 2020). Orders received surpassed the year-earlier results, however, as management associations gradually resumed activities in the second quarter of the fiscal year and thereafter.

In the management of rental condominiums and corporate housing management agency services, the number of units Haseko operates reached a combined total of 169,235 units, an increase of 3.5% from the end of the previous fiscal year, due to a steady increase in new consignment of these services and continuation of ongoing consignment.

In consigned sales of newly built condominiums, although model rooms for condominium sales were closed in accordance with the first declaration of a state of emergency, the number of contracted units increased year on year as the number of visitors to the model rooms gradually returned to a recovery trend.

In real estate brokerage operations, the number of brokered units and the number of sold units in the renovation business had remained lower than the year-earlier results through the end of the second quarter of the fiscal year, but both increased year on year for the entire fiscal year as they picked up in the third quarter and thereafter.

In for-sale condominium management operations, the number of units the Haseko Group is consigned to manage reached 410,412 units (up 0.6% year on year) as new consignment remained strong partly thanks to reinforced marketing activities in Kyushu and other regional areas.

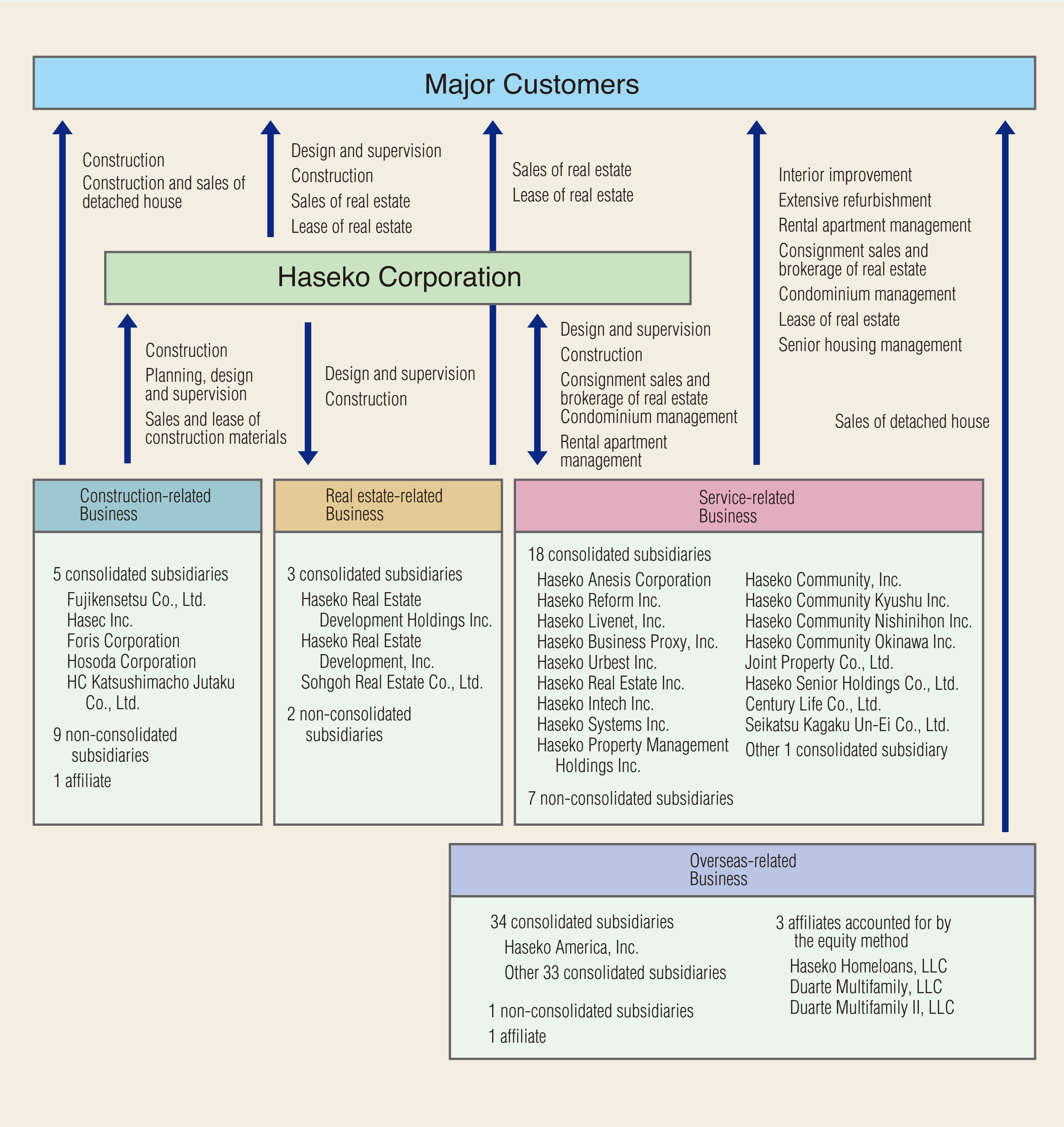
In the senior services business, the number of paid facilities for the elderly and housing for the elderly in operation totaled 2,281 units (down 1.3% year on year) due to restrictions on sales activities in accordance with the first declaration of a state of emergency, among other factors.

As a result of the above, the segment posted sales of 185.7 billion yen, or down 4.3%, and operating income of 7.0 billion yen, or down 40.8%, both on a year-on-year basis.

Overseas-Related Business

Real estate sales increased as the Company sold the land for wedding facilities adjacent to retail facilities under development in Oahu, Hawaii. As for the new for-sale detached housing business, progress was made in the procedures required for starting construction. The segment posted sales of 0.7 billion yen, up 60.9% year on year, and operating loss of 1.1 billion yen (in contrast to operating loss of 3.8 billion yen in the previous fiscal year).

Business schematic of Haseko group's reportable segments



(3) Financial Position

Total assets at the end of the consolidated fiscal year ended March 2021 increased by 154.3 billion yen from the end of the previous fiscal year to 953.7 billion yen. This is attributable to an increase in cash and bank deposits as well as an increase in real estate for sale and costs and advances for real estate operations in accordance with the acquisition of real estate for the purpose of construction orders and acquisition of land for for-sale condominiums, among other reasons.

Total liabilities were 559.3 billion yen, an increase of 147.7 billion yen from the end of the previous fiscal year. This is primarily attributable to borrowing of debt and issuance of corporate bonds.

Net assets were 394.4 billion yen, an increase of 6.7 billion yen from the end of the previous fiscal year, stemming from such factors as increase in retained earnings due to the recording of net income attributable to owners of parent despite payment of cash dividends and purchase of treasury stock.

As a result, the equity ratio was 41.4% compared with 48.5% at the end of the previous fiscal year.

The real estate owned by the Haseko Group increased due to such factors as acquisition of real estate on a short-term basis for the purpose of construction orders and purchase of for-sale real estate. In this regard, the Company conducts appropriate risk management in implementing its business operations.

Construction-Related Business

Assets of the Construction-Related Business amounted to 324.1 billion yen as of the end of the fiscal year under review, up 23.4 billion yen from the end of the previous fiscal year, due to such factors as increase in real estate for sale in accordance with the acquisition of real estate for the purpose of construction orders.

Real Estate-Related Business

Assets of the Real Estate-Related Business amounted to 304.7 billion yen as of the end of the fiscal year under review, up 71.4 billion yen from the end of the previous fiscal year, as real estate for sale and costs and advances for real estate operations increased in accordance with steady progress in the purchase of for-sale condominiums, among other factors.

Service-Related Business

Assets of the Service-Related Business totaled 186.7 billion yen as of the end of the fiscal year under review, up 25.7 billion yen from the end of the previous fiscal year, mainly because cash and bank deposits increased in accordance with an increase in deposits.

Overseas-Related Business

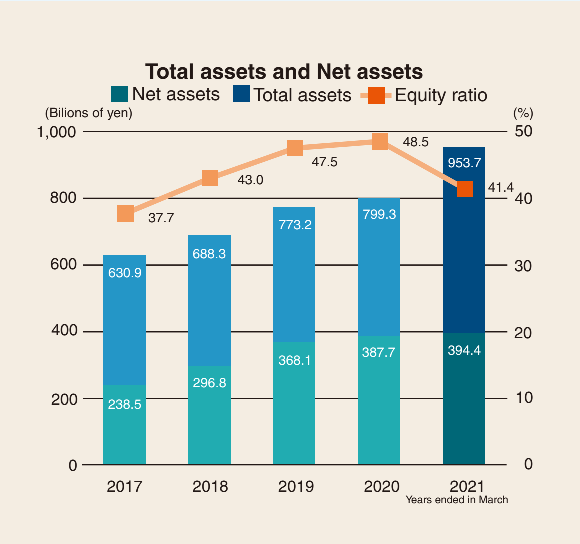
Assets of the Overseas-Related Business increased 8.9 billion yen from the end of the previous fiscal year to 49.0 billion yen as of the end of the fiscal year under review due to an increase in real estate for development in accordance with the development of retail facilities as well as equity investment in affiliates, among other factors.

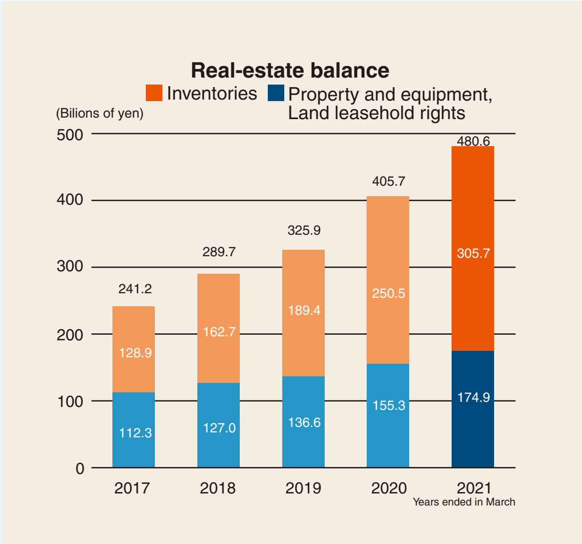
Assets by segment are described below.

Billions of yen

	Construction-Related Business		Real Estate-Related Business		Service-Related Business		Overseas-Related Business	
Segment assets	324.1	(+23.4)	304.7	(+71.4)	186.7	(+25.7)	49.0	(+8.9)

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





(4) Cash Flows

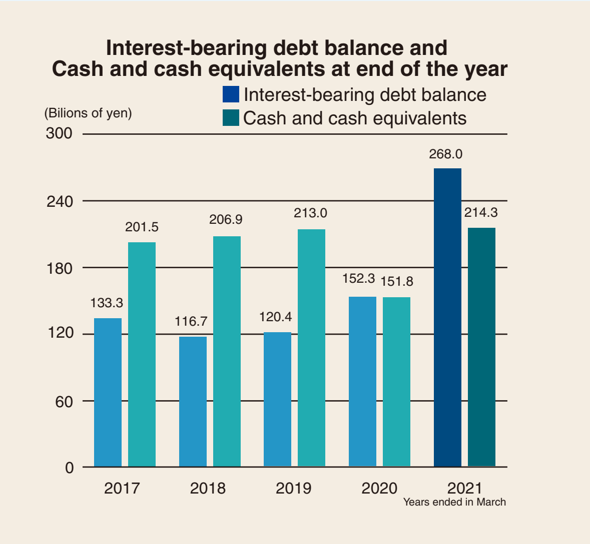
Net cash provided by operating activities was 31.9 billion yen, an increase of 47.1 billion yen compared with the net cash used in operating activities totaling 15.3 billion yen in the previous fiscal year. Major factors included an increase of 11.4 billion yen in cash in accordance with an increase in deposits (in contrast to a decrease of 4.0 billion yen in cash for the previous fiscal year).

Net cash used in investing activities in the fiscal year under review was 35.8 billion yen, an increase of 1.5 billion yen in income compared with the net cash used in investing activities totaling 37.2 billion yen in the previous fiscal year. Major factors included an increase of 2.1 billion yen in cash in accordance with purchase and redemption of securities (in contrast to a decrease of 1.3 billion yen in cash for the previous fiscal year).

Net cash provided by financing activities was 66.8 billion yen, an increase of 75.2 billion yen in income compared with the net cash used in financing activities totaling 8.4 billion yen in the previous fiscal year. Major factors included an increase of 115.7 billion yen in cash as a result of newly borrowing long-term debt and newly issuing corporate bonds while conducting repayment of long-term debt and redemption of corporate bonds (in contrast to an increase of 26.6 billion yen in cash for the previous fiscal year).

As a result of the above, the balance of cash and cash equivalents at the end of the fiscal year ended March 2021 totaled 214.3 billion yen, an increase of 62.5 billion yen from 151.8 billion yen at the end of the previous fiscal year.

The balance of cash and cash equivalents at the end of the fiscal year ended March 2021 increased significantly from the end of the previous fiscal year. The increase is mainly due to an increase in cash flows from operating activities as a result of an increase in deposits and collection of notes and accounts receivable, and an increase in cash flows from financing activities as a result of newly borrowing long-term debt and newly issuing corporate bonds.



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

The Haseko Group's demand for funds includes expenditures mainly for such purposes as acquisition of real estate on a short-term basis for the purpose of construction orders, purchase of for-sale real estate, and investments in rental properties and the overseas business. In addition, the Haseko Group plans to make investments of 240.0 billion yen, centering on the rental properties holding and development business, condominium sales business and overseas business, in the medium-term business plan (for the fiscal year ended March 2021 through the fiscal year ending March 2025) it prepared in February 2020. For such demand for funds, the Company intends to allocate profits from business activities and funds procured from debt and issuance of corporate bonds.

In the fiscal year under review, the Company repaid long-term debt totaling 4.3 billion yen upon maturity and redeemed 10.0 billion yen in corporate bonds, while procuring 70.0 billion yen in corporate bonds as well as 60.0 billion yen in long-term debt. Accordingly, the balance of debt including corporate bonds increased by 115.7 billion yen to 268.0 billion yen.

In addition, the Company has concluded a commitment line agreement of 63.0 billion yen with financial institutions in order to conduct stable and flexible procurement of working capital, ensuring sufficient liquidity in conjunction with cash and bank deposits.