



RENAI MINAMISUNAMACHI RIVERFEEL

ANNUAL REPORT 2020

For the Year Ended March 31, 2020



Profile

Haseko Corporation and its group of companies have leveraged their capabilities in all condominium business fields – from gathering land information to planning, design, construction, sale, property management, renovation, brokering and renting. Building on this “total produce” capability, the Haseko Group has conducted marketing activities in which it proposes product planning, selling strategies and other issues that cannot be matched by competitors. Since constructing its first condominium in 1968, Haseko has built a cumulative total of around 650,000 condominium units and established itself as a leading condominium contractor in Japan.

In response to changes in social conditions, the Haseko Group aims to play an active part toward being a “corporate group for housing that creates great living” supporting in all aspects the lives of people living in condominiums both in terms of physical products and services and know-how by combining initiatives in rental housing, housing for the elderly, commerce, nursing care, childcare, healthcare, medical care, and education, etc., with a focus on for-sale condominiums. While further enhancing the cooperation of our group companies.

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Cover photo

RENAI MINAMISUNAMACHI REVERFEEL (Koto-ku, Tokyo, 267 units)

The Minamisunamachi area where the property is located is dotted with parks of various sizes, including Arakawa Sunamachi Riverside Park and Sendaiborikawa Park, and watersides. It is also a town offering “convenience” to the full, with large retail facilities as well as shopping streets abundant with warm sentiment in the neighborhood. The area is attractive for residents, as it is near Central Tokyo with only a 9-minute ride from Minamisunamachi Station, the nearest station, to Nihonbashi, while on holidays it allows people to enjoy the town in which they live.

■ Disclaimer concerning Forward-looking Statements

Please note that all present and future plans and objectives of Haseko entered in this Annual Report may differ from actual results due to various unforeseen factors.

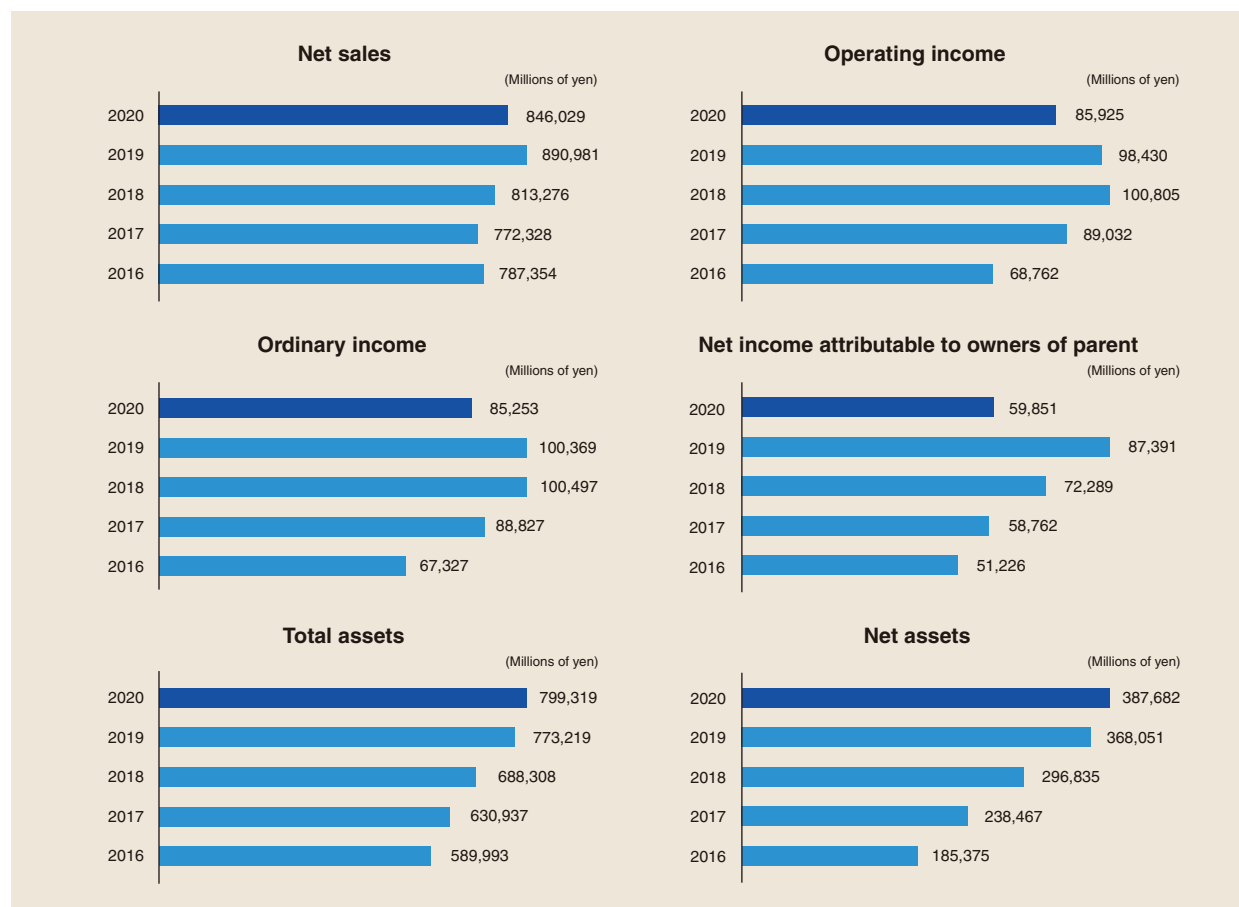
Financial Highlights

Haseko Corporation and its Consolidated Subsidiaries

(Years ended March 31, 2016, 2017, 2018, 2019 and 2020)

	Millions of Yen					Thousands of U.S. Dollars
	2016	2017	2018	2019	2020	2020
For the Year:						
Net sales	¥787,354	¥772,328	¥813,276	¥890,981	¥846,029	\$7,773,863
Operating income	68,762	89,032	100,805	98,430	85,925	789,530
Ordinary income	67,327	88,827	100,497	100,369	85,253	783,360
Net income attributable to owners of parent	51,226	58,762	72,289	87,391	59,851	549,946
At Year-end:						
Total assets	¥589,993	¥630,937	¥687,706	¥773,219	¥799,319	\$7,344,658
Net assets	185,375	238,467	296,835	368,051	387,682	3,562,274
			Yen			U.S. Dollars
Per Share Data:						
Net income attributable to owners of parent	¥170.41	¥195.48	¥241.98	¥ 293.87	¥ 201.36	\$ 1.85
Net assets	615.21	791.24	995.44	1,234.13	1,323.51	12.16

Note: The U.S. Dollars amounts represent translation of yen amount at the rate of ¥108.83 = U.S. \$1.00, the exchange rate at March 31, 2020.



Message from the Management



I would like to express my heartfelt gratitude for your continued loyal patronage to the Haseko Group.

As of April 1, 2020, I took office as President and Representative Director of Haseko Corporation. I am resolved to perform my tasks with full effort, aiming to achieve a further leap of the Haseko Group, which, through the rehabilitation of management over a long period of time, has achieved rebirth and advancement as a “new-born Haseko.” Your support in this endeavor is highly appreciated.

In the fiscal year ended March 2020, it appeared the Japanese economy would remain on a mild recovery trend. In the latter half, however, the economy changed course toward rapid deterioration in the face of the rapid spread of the novel coronavirus (COVID-19). In the condominium market, new supply remained sluggish at 28,563 units (down 22.0% year on year) in the Tokyo metropolitan area and 17,452 units (down 13.1% year on year) in the Kinki area, impacted by the government’s request for self-restraint on going out due to the spread of COVID-19 on top of the continued tendency of being cautious on supply.

For the fiscal year ended March 2020, which represents the final year of the “newborn HASEKO Jump Up Plan” (Plan NBj), the Company’s medium-term business plan, the Haseko Group steadily accumulated profits as respective companies engaged in the Service-Related Business performed strongly, including deliveries of large-scale for-sale condominium projects, although the Construction-Related Business saw its gross profit margin for completed construction contracts drop due to worsened construction profitability upon receiving orders and higher costs of material and labor, among other factors. As a result, we were able to achieve ordinary income of 85 billion yen, the figure forecast at the beginning of the fiscal year. At the same time, the Company posted combined consolidated ordinary income of 286.2 billion yen for the three years from the fiscal year ended March 2018 to the fiscal year ended March 2020, accomplishing the numerical target of 240 billion yen set forth in the Plan NBj for the period. Moreover, taking into account the outlook of the business management environment and corporate performance going forward, the Company decided to deliver dividends of 70 yen per share annually (including interim dividend of 10 yen per share), comprising ordinary dividend of 20 yen annually and extraordinary dividend of 50 yen.

Message from the Management

As a result of the above, the Company posted net sales of 846 billion yen in the fiscal year under review, a decrease of 5.0% year on year mainly due to a drop in the real estate handling volume. Profit decreased year on year as operating income dropped by 12.7% year on year to 85.9 billion yen and ordinary income decreased by 15.1% year on year to 85.3 billion yen due to lowered gross profit margin of completed construction contracts for condominium construction works. Meanwhile, net income attributable to owners of parent decreased by 31.5% year on year to 59.9 billion yen as a reaction to the recording of special income from business transfer in the previous fiscal year. The operating income ratio was 10.2% (down 0.8 percentage points) and ordinary income ratio came to 10.1% (down 1.2 percentage points).

The Haseko Group has endeavored to develop its growth strategy that takes into account changes in social conditions by promoting its six-year business plan “newborn HASEKO” (Plan NB) since the fiscal year ended March 2015. As a result, the Construction-Related Business centering on condominium construction has maintained a high share of carrying out projects by exerting strengths such as its ability to gather land information and plan products, as well as its commitment to construction quality and construction schedules. In the Service-Related Business, the Company has steadily accumulated achievements in such fields as condominium management, remodeling, large-scale repair work, building replacement, brokerage of condominiums available in the market, leasing, and housing for the elderly, while successfully increasing profits through M&A investments. On top of these, the Company has gone through various undertakings slated for future growth, such as expanding its business areas into regional cities, promoting adoption of Haseko-version BIM (Building Information Modeling), newly establishing the Value Creation Section for creating and demonstrating business models that utilize advanced technologies, and establishing the Haseko Technical Center and Haseko Condominium Museum. Following these endeavors, we have formulated the “Haseko Group Long-Term Vision ~What the Company Aims to Be for the Fiscal Year Ending March 2030~,” which indicates the direction of business strategies for what the Company will be ten years from now. In order to realize this vision, we have also begun from this current fiscal year the “Haseko Next Stage Plan” (Plan NS), our medium-term business plan for the next five years.

With the recognition that the business environment surrounding the Company will continue to change significantly going forward, we are resolved to press on with our endeavors to strengthen business management that builds upon both the Construction-Related Business and the Service-Related Business so that we can develop constantly as a sustainable corporate group. In condominium construction, we will establish by the end of the current fiscal year a system that should allow us to introduce BIM (Building Information Modeling) fully to properties to be newly designed. We will also adopt BIM to actual construction sequentially. Moreover, we believe that in order to enhance our competitiveness drastically in this business as well as in the Service-Related Business, it is essential to utilize state-of-the-art IT-related technologies including AI (artificial intelligence), sensors, communications, and robots. One of the major themes in promoting these initiatives is digital transformation (DX). We will realize DX by not only making the best use of the Haseko Group’s management resources but also coordinating widely with venture companies, universities, and research institutions, etc. through open innovation. Moreover, by implementing these measures, we will work to solve issues surrounding our society, including countermeasures against ever-intensifying disasters and environmental preservation like reduction of CO2 emissions. As we do so, we aim to establish CSR management (business management with a focus on corporate social responsibility) that enables us to pursue both “creation of social value” and “growth of the Haseko Group.”

Going forward, while remaining grateful to all our stakeholders, we at the Haseko Group will further reinforce coordination among Group companies and exercise our comprehensive strengths. Through such endeavors, we aim to make a further leap as a “corporate group for housing to create great living” as we serve to support the life of people living in condominiums. Your continued and reinforced support and encouragement would be greatly appreciated.

June 2020



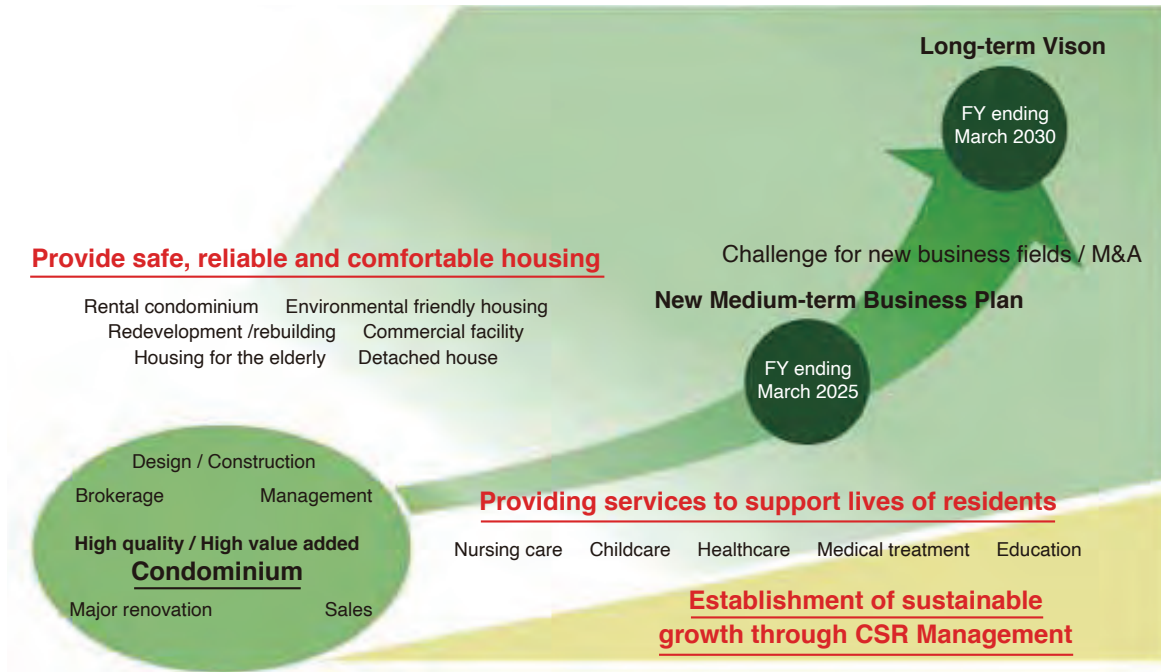
Kazuo Ikegami
President and Representative Director
Haseko Corporation

Haseko Group Long-Term Vision

– What the Company Aims to Be for the fiscal year ending March 2030 –

After completing the rehabilitation, the Haseko Group, which completed the previous management plan aiming for rebirth and advancement of the Company as “Newborn Haseko,” has set the time to achieve our goal as a long-term vision in the fiscal year ending March 2030, ten years from now.

**Making a further leap forward in a “corporate group for housing to create great living”
FY Ending March Target Profit Level: Consolidated ordinary income: 150 billion yen**



■ What the Company Aims to Be

The Company will endeavor to specifically realize its social mission of “contributing to society by creating a living environment that is optimal for cities and people” by responding to changes in social conditions, including the aging society with fewer children, decreasing population, trends for “compact cities,” disasters, aging buildings, environmental awareness and energy saving and community formation. For this purpose, the Company will aim to make a further leap forward in a “corporate group for housing to create great living,” both in terms of physical products and services and know-how by combining its initiatives on rental housing, housing for the elderly, commerce, nursing care, childcare, healthcare, medical care and education, etc., with a focus on for-sale condominiums.

■ Business Strategy for realizing what the Company Aims to Be

1. Expanding for business domain (Business area, Building menu)
2. Balanced strategic investments in stable earnings and growth fields
3. Actively utilize advanced technologies such as digital technology to expand service-related business, and strengthen competitiveness of products and services with new business models and improve labor productivity
4. Challenge for new business fields

Haseko Next Stage Plan (Plan NS)

– Aiming for growth to the Next Stage –

Period Covered by the Plan NS:

The fiscal year ending March 2021 – The fiscal year ending March 2025

Positioning of the Plan

The Company sets the Medium-Term Business Plan for five years until the fiscal year ending March 2025 as a path leading to the Long-Term Vision.

Basic Policies

1. Strengthen corporate management that builds on both the Construction-Related Business, which primarily targets the market for new housing supply, and the Service-Related Business, which is centered on the market related to existing residences, etc.
2. Deepen coordination among the Group companies and realize a corporate entity that proves to be worthy of the trust received from urban dwellers
3. Provide safe, reliable and comfortable housing and urban environment
4. Establish a stable profit base through growth strategy investment
5. Maintain a strong financial base and enhance shareholder returns
6. Challenge for new endeavors from a medium- to long-term perspective
7. Focus on establishing CSR management

Numerical Targets:

100 billion yen in consolidated ordinary income for the fiscal year ending March 2025

At least 30 billion yen in ordinary income of consolidated subsidiaries for the fiscal year ending March 2025

400 billion yen in consolidated ordinary income in aggregate for the five fiscal years

from the fiscal year ending March 2021 to the fiscal year ending March 2025

Focused Strategies

1. Strengthen competitiveness of core businesses

(1) Expansion of construction-related business domain

- 1) Maintaining and strengthening superiority in condominium construction due to the expansion of construction of high-rise condominiums etc.
- 2) Expansion of construction orders other than condominiums such as rental condominiums, condominiums for students and seniors, dormitories and company housing, hotels, offices, logistics facilities, etc



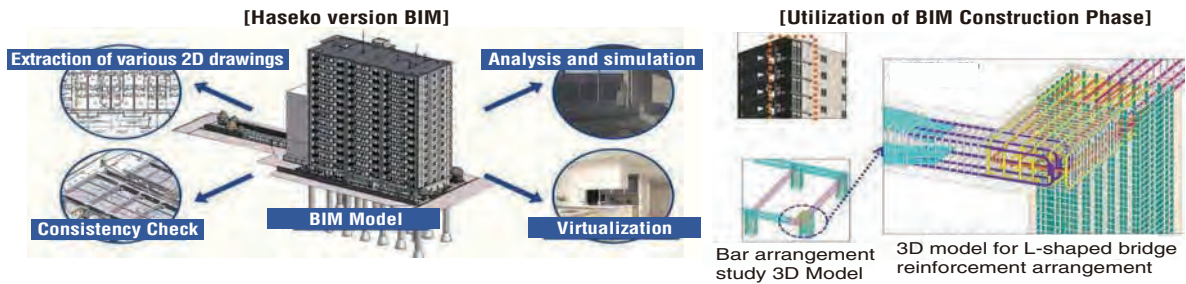
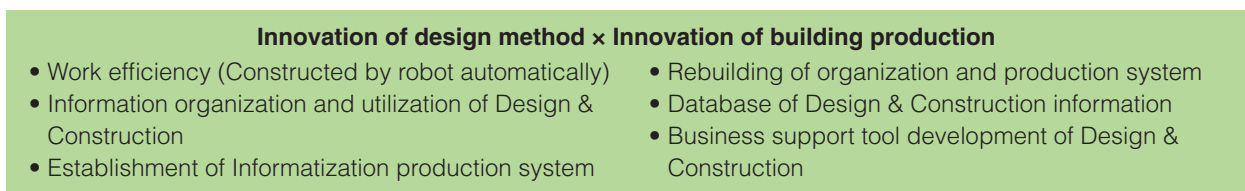
Supporting high quality and productivity improvement in manufacturing of Haseko

"Integrated four bodies" System

Focused Strategies

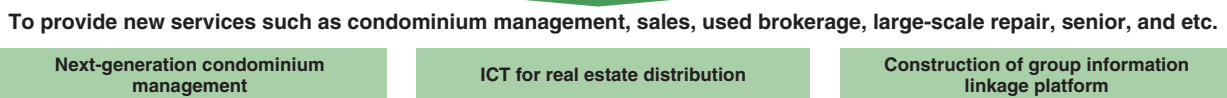
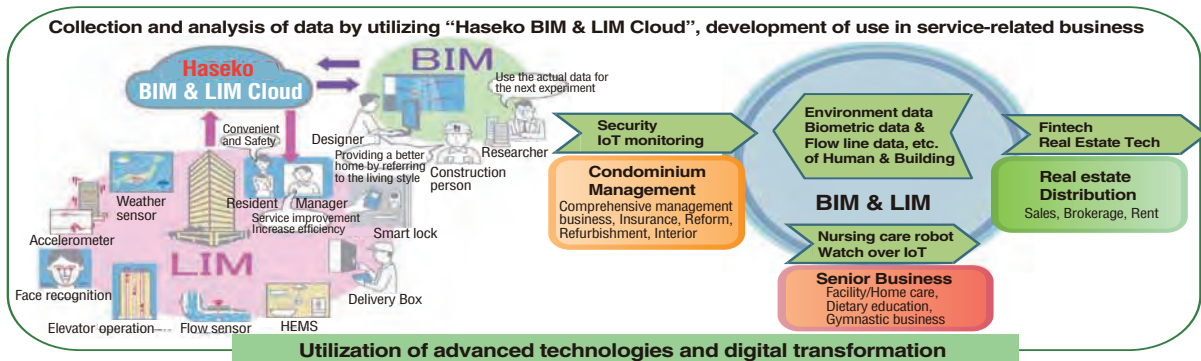
- 3) Shortening construction time and enhancing cost competitiveness through utilizing BIM and other ICT-related technologies

A system to introduce 100% of BIM (Building Information Modeling) to new design properties will be established by the fiscal year ending March 2020. In the future, by further utilizing BIM integrated design and construction and Digital Transformation (DX), the Company will aim to further improve competitiveness



- 4) Product development utilizing eco-friendly technology and IoT
- (2) Expansion of redevelopment and reconstruction business / response to compact city
- (3) Continuation and strengthening of service-related business
 - 1) Expand business area to major regional cities, not only metropolitan areas
 - 2) Restructure business model by introducing advanced technology

Focusing on the “Value Creation Division” with the goal of creating new business models and significantly improving productivity, Using LIM (Living Information Modeling) data that “visualized” information on living in apartments and working on radical productivity reforms of service-related businesses by utilizing advanced technology and DX



Focused Strategies

2. Expansion of investment in real estate related business

- (1) Expansion of business areas for condominium sales business
- (2) Rental properties holding and development business
 - 1) Holding rental properties to raise stable revenue sources
 - 2) Diversification of development projects by establishing private placement REIT, securing new revenue sources

Expansion of business area of condominium sales business

Entering Kyushu, Okinawa, Hiroshima and Matsuyama. Started business in Hokkaido.



Branchera Naha Kohagura
(Naha-shi, Okinawa)



Branchera Saiwaimachi Riverside
(Nagasaki-shi, Nagasaki)



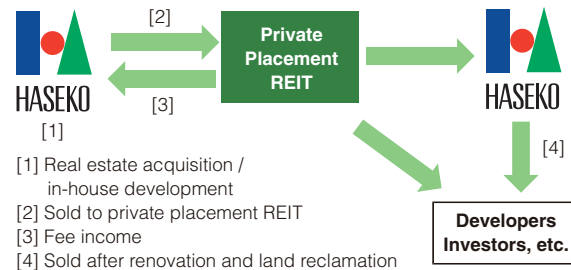
Branchera Akasaka Hanamizuki Street
(Fukuoka-shi, Fukuoka)

Increase in holding rental properties /Establishment of private placement REIT

Trying to further raise the source of stable earnings by expanding the ownership of rental properties. In the future, aiming to establish and utilize the private placement REIT.

Aim of utilizing private placement REIT

- Diversification of development projects
- Acquisition of steady fee business contract opportunities
- Acquisition of business opportunities by reacquiring from REITs



3. Initiative for future growth

- (1) Investment for realizing digital transformation (DX)
 - 1) Utilize the latest IT-related technologies such as AI, sensors, communications, robots, etc., cooperate with various manufacturers, venture companies, universities, research institutions, etc., and realize digital transformation
- (2) Investment for introducing advanced technologies by value, technology and innovation division
 - 1) Fundamental innovation of existing business productivity, mainly in service-related businesses
 - 2) Creation of new business models that actively utilize advanced technologies
- (3) Investment in overseas business
 - 1) Re-establish profit base in the United States (Hawaii)
 - 2) Establish a design and construction production system in Southeast Asia
 - 3) Participation in real estate development projects

Hawaii, the United States

Prioritize early completion of projects in Ewa, Oahu
Exploring development of detached house development, brokerage and renovation business



Ewa Project

Southeast Asia

Aiming to establish a design / construction production system base, centered on development as a general contractor

Consider new projects and business development in Vietnam and Indonesia



THE AUTHENTIC
(Hanoi, Vietnam)

Participation in real estate development project



Duarte Station Apartments
(California State, United States)

[Plan Overview of this plan]
Location: Duarte City, Los Angeles County, CA
Site area: Approximately 4.34 acres (17,563m²)
Structure scale: Residential / wooden 5 stories
Parking lot / RC 5.5 stories
Total number of rooms: 344 rooms
Floor area: 24,068m²
Scheduled completion: 2023

* Above is completion image, subject to change

Focused Strategies

- (4) New investment
 - 1) Proposal of living style according to the needs of the times and development of new products and new services
 - 2) Conduct M & A focusing on improving services of existing businesses and expanding business areas with growth potential
- (5) Investment in human assets
 - 1) Creating autonomous human resources and organizations that form the basis of growth strategies
 - 2) Creating an environment that brings out the diversity of human resources and the job satisfaction of each and every employee
 - 3) Nurturing innovative human resources and globally active human resources who create new value
 - 4) Transparent treatment that encourages employees to take on challenges

4. Investment plan

Plan to invest 240 billion yen in 5 years to build stable profit base

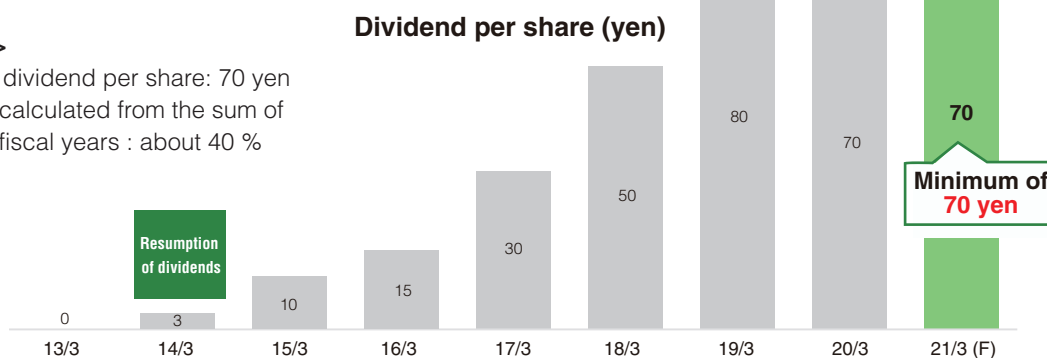
Categories	Investment Amount (5 years)	
Condominium Sales business	50 billion yen	■ Expanding business areas
Rental properties holding / development business	70 billion yen	■ Holding rental properties to raise stable revenue sources ■ Establishing private placement REIT
Overseas business	60 billion yen	■ Re-establish profit base in the United States (Hawaii) ■ Establish a design and construction production system in Southeast Asia ■ Participation in real estate development projects
Advanced technology investment	20 billion yen	■ Fundamental innovation of existing business productivity ■ Creation of new business models
New businesses, M & A, etc.	40 billion yen	■ Development of new products and new services ■ Conduct M & A focusing on improving services of existing businesses and expanding business areas with growth potential
Five-year total investment amount	240 billion yen	

5. Financial strategy and shareholder returns

- Accelerate growth strategy investment and enhance shareholder returns while maintaining a strong financial base
- Continue to pay stable dividends. In addition, share buyback is flexible, taking into account the business environment, growth investment opportunities, the Company's stock price level, and improving capital efficiency.

<Dividend policy>

- Minimum annual dividend per share: 70 yen
- Total return ratio calculated from the sum of net income for 5 fiscal years : about 40 %



Focused Strategies

6. Initiatives of CSR management

- (1) Enhance corporate value by implementing both “creating social value” and “growing the group” through solving problems regarding business
- (2) Incorporating important ESG factors to pursue for long-term growth, and the strengths of the Company group into CSR themes, and promoting CSR target

Main Activities Based on CSR Initiative Theme

Creative attractive living spaces Creating a space where various people can live with peace of mind, grow and enjoy an active life in their own style



Proposal of Hazard-resistant Condominium
~Considering disaster prevention and disaster mitigation, and increasing the value of homes~

3 Basic Policies

When a disaster occurs
Able to protect safety

By the time infrastructure is restored
Able to maintain living environment

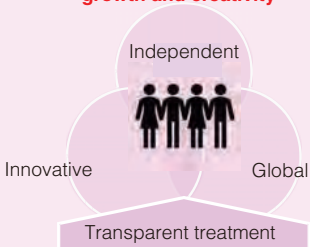
In preparation for disaster
Able to help together with each resident


Creating new value by rebuilding

Building a company worth working at Create a safe and productive workplace where diverse people can play an active role, and work with partner companies to develop the city now and in the future

Cultivating human resources to support growth and creativity



Promotion of diversity



Promote all employees activities

Creating a comfortable working

Work style reform initiatives:

The initiative to realize two days off a week at construction work sites aims to realize eight closed rooms in four weeks for FY ending March 2022


Realization of business efficiency by utilizing RPA

Promote the introduction of telework

Protecting the precious environment Create houses that are ecologically friendly and pursue improved resource and energy efficiency. Promote environmental considerations in the process of providing living services


Technology to reduce environmental impact

Heat pump floor heating with air conditioner



"Corona Eco Warm Cool Air Conditioner"
Won Energy Saving Award 2019 and Global Warming Prevention Activity Environment Award 2019

Cast-in-place concrete method "HND-NB Method"



Economic and environmental considerations by reducing the amount of concrete and excavate soil

Nurturing a culture of trust Practice initiatives to be trusted by society and continue to create value, and cultivate areas of social contribution through business

Further strengthening corporate governance

Effort to strengthen up to now

- Promotion and deeply recognition of compliance
- Appointment of more than one-third of outside directors and appointment of female director
- Term of director: 2 year → 1 year
- Effectiveness analysis and evaluation of the Board of Directors and utilization for improvement
- Introduce Nominating Compensation Committee and strengthen performance-linked remuneration

Synergy of the Haseko Group

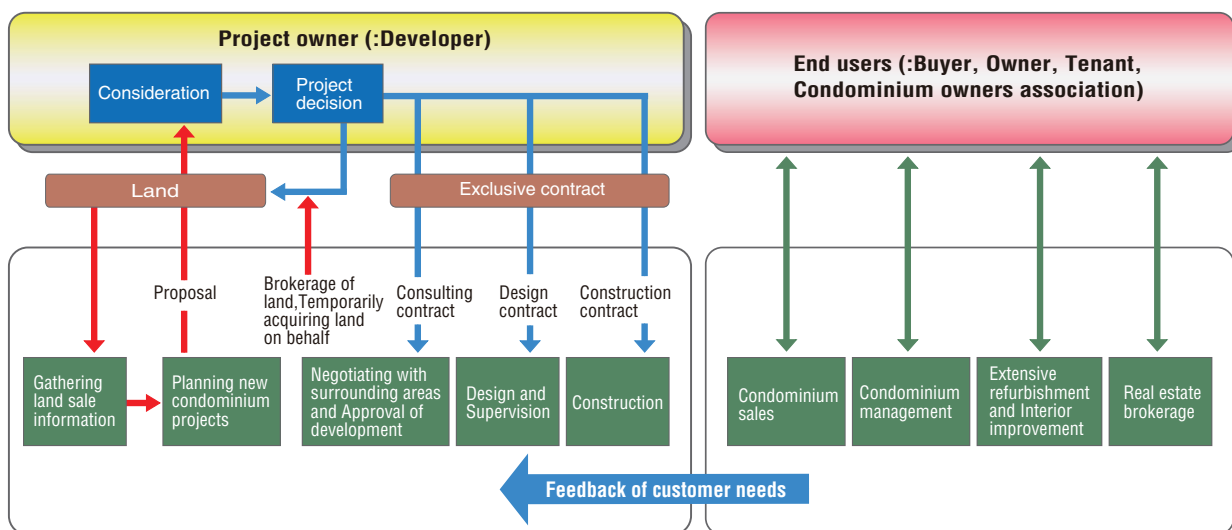
Endeavoring to expand and reinforce its business domains, the Haseko Group works to further reinforce coordination among Group companies and exercise its comprehensive strengths. By doing so, it aims to become a corporate group for housing to create great living, as it serves to support the life of people living in condominiums.

Construction-Related Business	<ul style="list-style-type: none"> ● Design and construction of new condominiums ● Condominium building replacement ● Redevelopment business ● Construction of retail facilities and other general buildings ● Construction of detached houses
Real Estate-Related business	<ul style="list-style-type: none"> ● Sale of for-sale condominium units ● Development, planning, and management of profit-generating properties ● Real estate leasing
Service-Related Business	<ul style="list-style-type: none"> ● Management of for-sale condominiums ● Large-scale repair work for condominiums ● Management of rental condominiums ● Interior remodeling ● Consigned sales of newly-built condominiums ● Real estate brokerage ● Operations of paid facilities for the elderly
Overseas-Related Business	<ul style="list-style-type: none"> ● Stand-alone housing and resort business in Hawaii

The Company has positioned “expanding investments in the real estate business” as one of its new focused strategies in the medium-term business plan starting in the fiscal year ending March 2021. In line with this, it has changed the classification of its reportable segments under which part of the Construction-Related Business and the Service-Related Business has been spun off as the Real Estate-Related Business applicable for the first quarter of the fiscal year ended March 2020 and thereafter.

Business Model of Haseko Exclusive Contracts

The greatest feature of Haseko's condominium business is the securement of orders in the form of Haseko Exclusive Contracts rather than simple consignment. The Haseko Exclusive Contracts are achieved by making proposals of business plans that integrate post-completion services of various types and providing land for project owners.



Initiatives to Expand Business Areas: Domestic Market

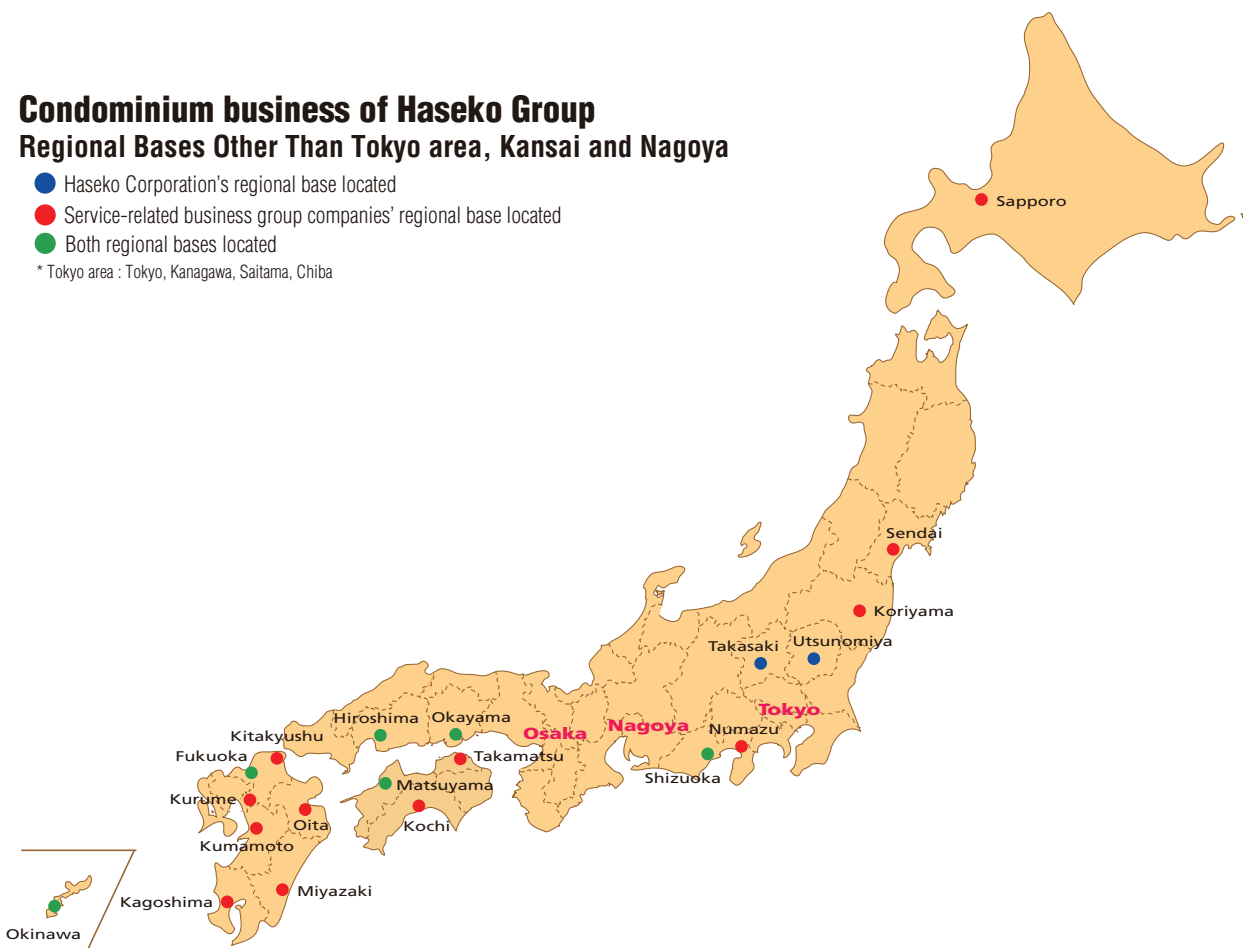
Haseko Corporation's Kyushu Operations Division, which was established in 2017 in Fukuoka, has evolved to become the Kyushu and Okinawa Operations Division and conducts business in the Kyushu and Okinawa region as an advanced base for coordination within the Group in charge of marketing where all functions including condominium management, rental management, for-sale condominium business, and facility renovation are integrated. The Company also newly established the Chugoku & Shikoku Business Promotion Department in 2018 to serve as the base of its real estate-related business in the Chugoku and Shikoku areas. Going forward, the Company intends to operate as a developer as well in these areas. In addition, the Company has expanded the activity areas of its business promotion department by opening operating offices in Northern Kanto in locations such as Utsunomiya and Takasaki, and in Shizuoka, deploying real estate staff. Through these measures, the Company has reinforced its efforts to establish a system that allows itself to construct condominiums on its own in prefectural capitals of the regions where a certain volume of condominium demand is available.

The service-related business group has been operating in major cities in Japan, led by management companies, and is expanding its network further through M&A, etc. With these endeavors, the Haseko Group as a whole is strategically engaging in such businesses as marketing, management, and development at its bases that stretch broadly from Hokkaido to Okinawa.

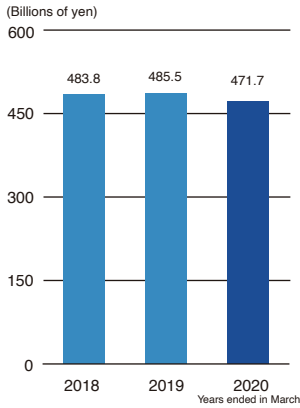
Condominium business of Haseko Group Regional Bases Other Than Tokyo area, Kansai and Nagoya

- Haseko Corporation's regional base located
- Service-related business group companies' regional base located
- Both regional bases located

* Tokyo area : Tokyo, Kanagawa, Saitama, Chiba

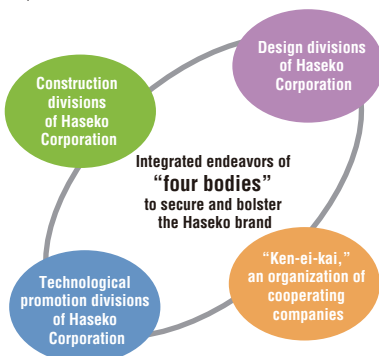


Orders received (Non-consolidated basis)



Conduct "Haseko Value Enhancement Activities" to provide customers with product quality and satisfaction

Integrate endeavors of the "four bodies" (the construction divisions, design divisions and technological promotion divisions of Haseko Corporation and "Ken-ei-kai," an organization of cooperating companies) to ensure smooth communications among them, in order to secure high quality and eventually improve customer satisfaction



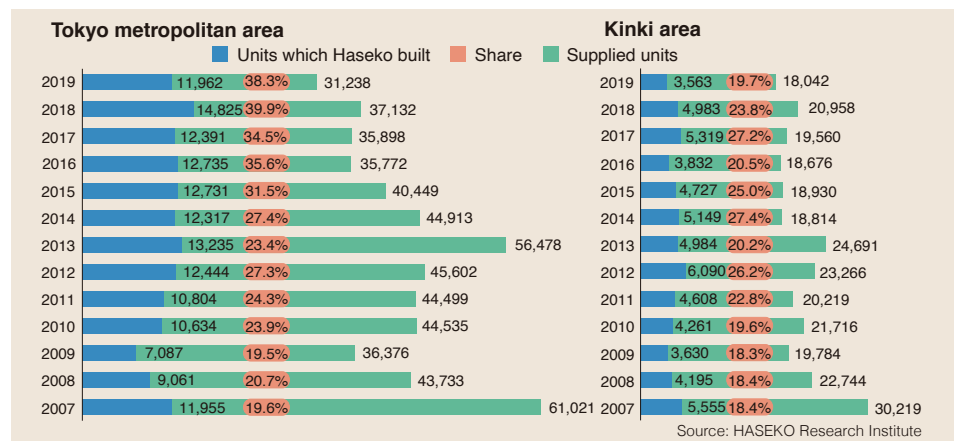
Haseko has a variety of accompanying businesses to the condominium business within its Group, and has the strength that allows it to propose business plans integrating not only orders for construction but also for post-completion services including the sale and building management of condominiums. Such proposals are utilized to secure orders in the form of Haseko Exclusive Contracts, the largest feature of the Company. Moreover, Haseko constructs condominiums with its construction and design sections working as one. The Company has established the system that exerts cost reduction effects through receiving orders for design and construction in packages, with the two sections conducting close organizational coordination and by reflecting such aspects as enhanced workability and economic designing in designs.

Construction

Haseko has specialized in condominium construction, as shown by its track record of over 650,000 units built. The Company constructs condominiums by employing state-of-the-art, efficient (no reconstruction) and highly precise (minimal complaints) construction methods, and has established a construction management system that keeps to budgets with no major gaps and promotes smooth implementation of project schedules. This allows Haseko to maintain high productivity. This system is bolstered by the good long-term relationships with cooperating companies. On top of their proficiency in construction with full knowledge of Haseko's construction methods, such companies can adopt Haseko's new products and new technologies, etc. as quickly as possible through training courses and other measures. These measures are what have maintained Haseko's high productivity, which secures sufficient competitiveness and serves as a source of its high profitability.



History of condominium units supplied

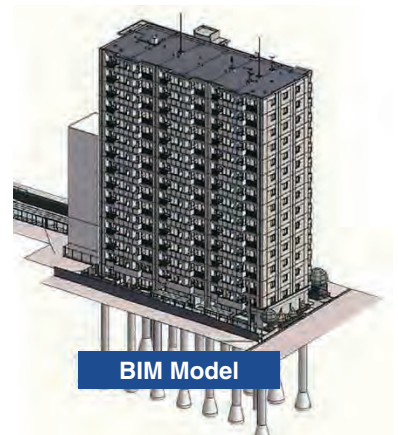
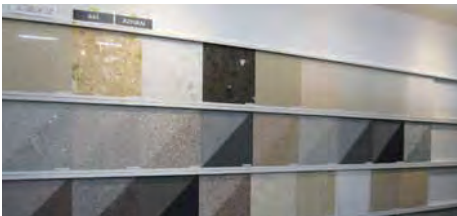
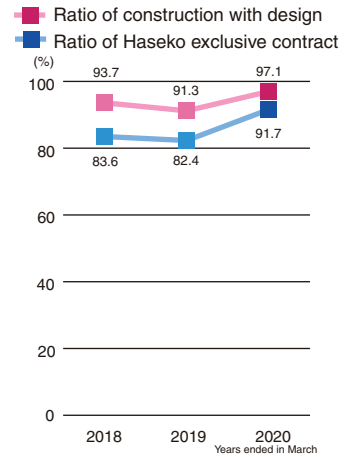


Design

The design section is always pursuing “what is best for residents,” and conducts design work from the viewpoint of the end users, receiving feedback from customers. In addition, it proactively works to enhance performance aspects, such as enriching the fundamental performance of condominiums, improving versatility and securing environmental and disaster prevention performances, by utilizing its accumulated know-how from the cumulative construction track record of over 650,000 units as well as new products and new technologies developed by Haseko Technical Research Institute.

Moreover, at “LIPS,” which is the presentation space for condominiums that regularly exhibits products of approximately 70 manufacturers including exterior finishing materials, builders’ hardware, steel fittings, interior finishing materials and housing equipment. The space enables selection of products and materials in a prompt and secure manner, as it allows project owners and Haseko staff to jointly “see” and “touch” actual offerings as samples at the design stage.

Orders received
(Non-consolidated basis)



BIM Model



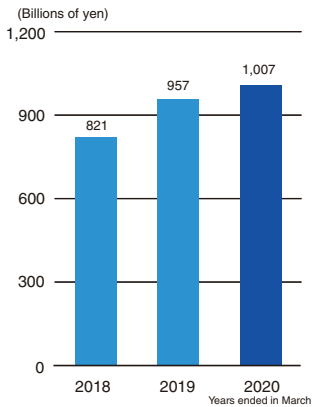
Key Strategies: Initiatives to Innovate Production Technologies

In the fiscal year ended March 2020, the Company established a system to introduce BIM (Building Information Modeling), an advanced design technique for constructing three-dimensional building models on computers, to properties to be newly designed. Looking ahead, the Company aims to further strengthen its competitiveness by further utilizing BIM in the processes of design and construction and promoting digital transformation (DX).



Geo Kyoto Oike Aburakouji the Terrace

Sales of newly-built for-sale condominiums (Haseko Group)



Haseko, which boasts having the top performance in Japan in constructing for-sale condominiums, also conducts the for-sale condominiums business on its own, utilizing its know-how of Haseko Exclusive Contracts in which the Company provides land for project owners. In 2017, after the Haseko Group was joined by Sohgho Real Estate Co., Ltd. and Joint Corporation, the Company established Haseko Real Estate Development Holdings Inc. to reinforce the business. In 2019, Joint Corporation changed its name to Haseko Real Estate Development, Inc. and was reborn as a comprehensive real estate developer responsible for developing new business domains. As for the business to develop profit-generating properties that utilizes its development capabilities fostered to date, the Company conducts planning and development of a variety of assets, including rental condominiums, office buildings, stores, logistics facilities, and housing for the elderly, regardless of type.



LIVIO CITY RENAI KASAI

Haseko Real Estate Development Holdings Inc.

The company supervises the for-sale real estate businesses of the Haseko Group, integrating their common functions, working to enhance the business implementation system and reinforcing governance, among other endeavors, in order to achieve higher profitability.

Haseko Real Estate Development, Inc.

The company is a comprehensive real estate developer responsible for cultivating Haseko's new business domains, including development of the BRANCHERA series for-sale condominiums in core regional cities as well as compact condominiums, concept-focused rental condominiums, and condominiums for students in urban areas.

Sohgho Real Estate Co., Ltd.

The company provides Renai brand for-sale condominiums mainly in metropolitan areas, demonstrating its unique product planning ability with considerations given to the environment, health, and safety. It is engaged in a wide variety of development projects, including stand-alone housing and residential land development, rental condominiums, hotels, and rental office buildings.

Haseko Urbest

In the Haseko Group, Haseko Urbest Inc. is the company responsible for consigned sales of for-sale condominiums. Having a leading position in consigned sales of condominiums in Japan, it conducts not only sales but also product planning for new condominiums by leveraging the opinions of customers. As such, Haseko Urbest plays an important role in reflecting the voice of the market into the Haseko Group. At the same time, the company is highly acknowledged by customers for its high-quality services in the process of condominium sales, from assistance before purchase to purchase agreement and delivery.

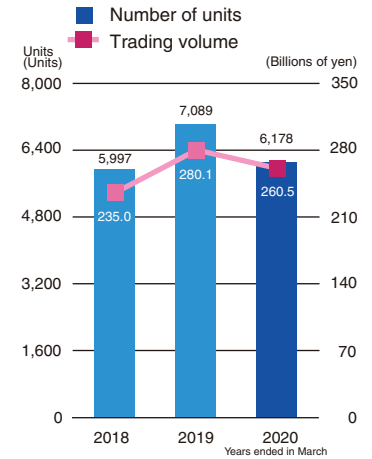


Haseko Real Estate

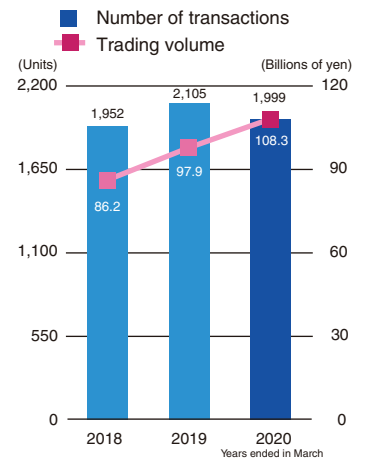
Haseko Real Estate Inc. was born through the integration of the Haseko Group's real estate brokerage business, with an aim to proactively work on "vitalizing the transaction of existing housing" as an important area of the Group's growth strategy. As an integrated real estate brokerage company, Haseko Real Estate handles all types of real properties, from residential real estate to commercial and investment real estate.

Moreover, to realize the Haseko Group's basic philosophy of "creating good housing, taking proper care of housing and living in housing over a long period of time," the firm is proactively engaged in the renovation business, where it refurbishes used condominiums for future inhabitants to live.

Consignment sales of newly-built for-sale condominiums (Haseko Urbest)



Brokerage of real estate (Haseko Real Estate)



Real Estate Brokerage

Selling and buying, exchanging, leasing, agency and brokerage of real estate

Building: Condominiums, stand-alone houses, profit-generating buildings, facilities for the elderly, hospitals and medical facilities, company housing, etc.

Land: Sites for condominiums and stand-alone houses, commercial sites, sites for facilities for the elderly, sites for hospitals and medical facilities, sites for warehouses and plants, sites for large-scale, multi-use developments, land for consideration of equivalent exchange or effective use, etc.

Purchase and Resale

Purchase and resale of condominiums and profit-generating properties

Property acquisition: Condominiums and stand-alone houses (from entire buildings to single units), profit-generating properties

↓
Temporary holding: For renovation and conversion

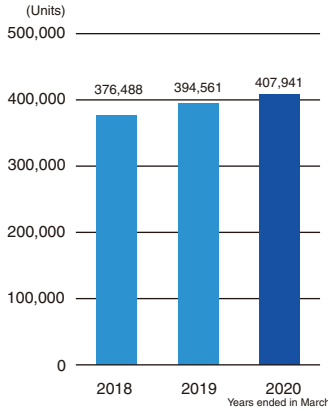
↓
Sale: For the real estate market and business corporations

Real Estate Solution

Consultation for effective use of land, asset management, consultation for real estate investment Management and administration of real estate and project proposals

The company fully utilizes the networks of the Haseko Group to provide total support for business planning to operations and management of condominium projects, offices, retail stores, facilities for the elderly and other properties, helping customers to conduct asset management by realizing the property value to the maximum.

Condominium building management



The Haseko Group companies that conduct for-sale condominium management operations are commissioned by management associations, which are comprised of residents of condominiums, to provide services that should maintain and improve the asset values of the buildings and enrich life in condominiums. As managing companies belonging to a general contractor group, the companies accept not only the problems related to construction or management but also whatever issues and troubles customers may have, investigate the causes and solve them. In 2017, Haseko Property Management Holdings Inc. was established as the intermediate holding company that supervises the for-sale condominium management operations of the Haseko Group. Following this, Haseko Community Nishinihon Inc. was newly established in 2018 to manage the business in the Chugoku, Shikoku, and Kinki areas. In 2019, Haseko Community newly established its bases in Sapporo, Sendai, Koriyama, and Utsunomiya. Moreover, Haseko Community absorbed and merged with Haseko Smile Community and Sohgo Housing Service on April 1, 2020, and newly established Haseko Community Okinawa Inc. on the same date. Currently, the Haseko Group provides services tailored to the respective area, property size, and diversifying living environment of the condominiums it manages, which have approximately 400,000 units.



Haseko Property Management Holdings Inc.

The four management companies are consigned with for-sale condominium management of approximately 400,000 units in total. They provide support for the operations of management associations based on technological capabilities unique to management companies belonging to a general contractor group, their problem-solving ability fostered through years of experience, and the ability to make proposals for creating rich communities. By doing so, they endeavor to enhance the asset value of the precious condominiums.

Haseko Community, Inc.

Tokyo metropolitan area, Kinki area, Chubu area, Sapporo, Sendai, Koriyama

Haseko Community Nishinihon Inc.

Chugoku area, Shikoku area, Kinki area

Haseko Community Kyushu Inc.

Kyushu area

Haseko Community Okinawa Inc.

Okinawa

Comprehensive Monitoring

Comprehensive monitoring operations conducted around the clock; security personnel dispatched in emergencies, and specialized technical staff available day-and-night.

Management and Cleaning

Reception, surveillance, attendance services and cleaning services of common areas by staff who have mastered professional knowledge and skills.

Maintenance and Management

Periodical inspection of elevators, water supply and drainage, fire prevention facilities and other accessorial facilities; proposals for repairs of defects; proposals for repair work plans and financing plans for forecasted future deterioration of buildings over time.

Clerical Services

In place of management associations, the company collects and keeps management fees and repair deposits, gives reminders for payment of unpaid proceeds, reports financial statements and providing accounting services including financial settlements.

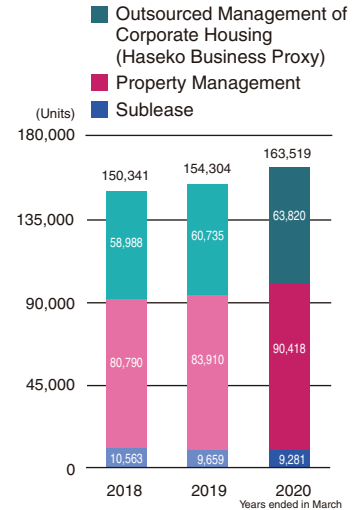
Life Support Services

The company provides services that support the daily lives of residents, including acceptance of clothes for cleaning, arranging for taxis and catering services, and conducting a variety of community events. Moreover, it offers services that enrich the living at condominiums, such as cafes and culture schools operated in condominiums as well as car sharing.

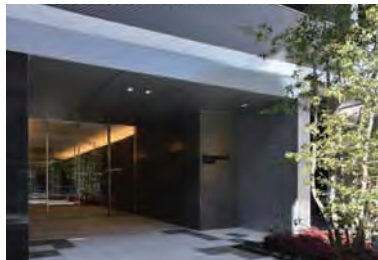
Management and Operation of Rental Condominiums

Haseko Livenet, Inc. implements comprehensive management of rental condominiums, including lease management and operations of condominiums, consulting on rental operations, and rental brokerage of condominiums, in the domains where rental condominiums, corporate real estate, and for-investment condominiums are mutually interrelated. The company has also expanded its business domains by newly starting a solution business to support real estate strategies. The company conducts business in major rental condominium markets in Japan – The Tokyo metropolitan area, Kinki area, Sapporo, Sendai, Shizuoka, Nagoya, Hiroshima, and Fukuoka, where strong rental needs are anticipated to continue going forward. In addition, Haseko Business Proxy, Inc. an offshoot of Haseko Livenet, is engaged in introducing properties for use as rental corporate housing or dormitories, and managing corporate housing as an agency.

Rental condominium management and operation



BRANSIESTA Izumi



BRANSIESTA Hakusan



Haseko Livenet, Inc.

Property Management

Sublease system in which the company rents the entire properties for lease, and handling of various procedures and work for rental operations as an agency; the "total package management" service in which the company performs building management on its own, and the full support for all aspects down to exit strategies.

Development of For-Investment Rental Condominiums

The company coordinates development of rental condominiums and prepares plans based on marketing results. It can achieve high occupancy rates by being simultaneously consigned for property management.

Haseko Business Proxy, Inc.

As a pioneer of the business model, the company is characterized by the high-quality service chosen by global companies.

Management Agency for Corporate Housing

Conducts review of the corporate housing systems and provides support to the corporate real estate strategy of clients; implements a solution business for corporate real estate, including rehabilitation of client owned corporate housing and proposals for efficient use of corporate land, and provides total support to clients' employees who are the "lessees" living in the company housing.

Furniture and Home Appliance Rental Business*

The company started a "furniture and home appliance rental business" as a new value-added service.

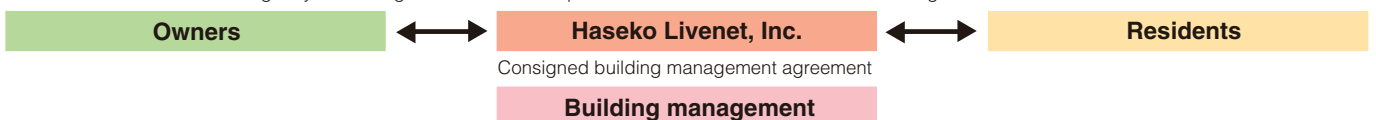
Products covered: a set of living goods including furniture and home appliances, gas stoves, and bedding

(*) The company succeeded its "furniture and home appliance rental business," "home appliance sales business," and "office equipment rental business and vehicle lease business," which were conducted by Residential Service, Inc., a Haseko Group company, as of October 1, 2019.

Property Management

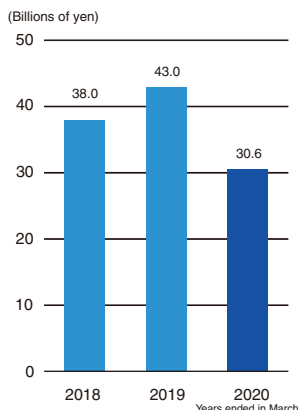
Agency service agreement for rental operations

Lease agreement



Total package management: Building management, handling of procedures and work as an agency, and sublease system

Orders received (Haseko Reform)



The number of for-sale condominiums in stock in Japan is estimated to surpass 6.55 million units. Of these, approximately 2.13 million units are reckoned to be in buildings built 30 or more years ago. Aside from these, many condominiums have become old and now require large-scale repair work to be conducted. Utilizing the Condominium Rehabilitation Division's Consultation Room for Building Replacement and Renovation as a service window, Haseko Group serves the management associations and owners of aged condominiums as a total advisor for rehabilitating the buildings, responding to a variety of needs for repairs, renovations and building replacement.

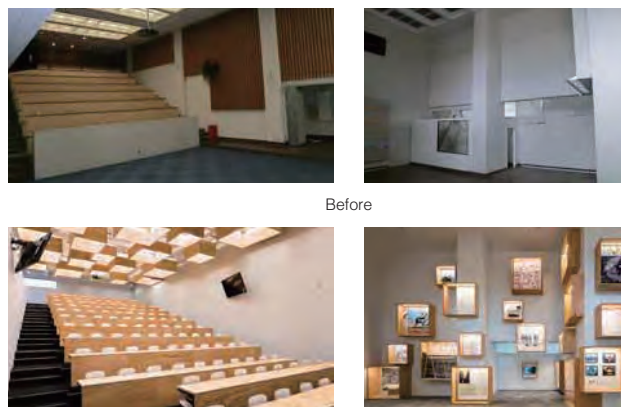
In the Haseko Group, Haseko Reform Inc. is engaged in renewal construction and maintenance work primarily for condominiums. Based on its abundant experience as the leading company in condominium construction, it makes optimum renewal proposals – including renovations of earthquake-resistant structures, ordinary repairs, large-scale repairs and remodeling – in accordance with the various building characteristics (size, design and specifications) of each asset with the aim of extending the building life. By doing so, the company provides construction quality that achieves maintenance and enhancement of the asset value.



Large-scale repair: Lift-climber construction method

Initiatives on Areas Other than Condominiums

HASEKO-KUMA HALL, Building No. 11 of the Faculty of Engineering, The University of Tokyo



Before

After

Reflecting the experience and achievements of condominiums totaling approximately 650,000 units, the company has a track record of renewal construction and maintenance work for condominiums counting about 610,000 units as of October 2019.

Offerings for Extending Building Life

Large-scale repairs

- Consideration given to repair work conducted with residents remaining in their units.
- Proposes construction methods that negate the need for scaffolds or curing sheets.

Renovations of earthquake-resistant structures

- Renovations of earthquake-resistant structures with residents continuing to live in their units.
- Conducts procedures to apply for subsidies to local governments and provides support for resident briefings.

Facility renovations

- The SAPS R method for replacing water supply pipes realizes durability of 60 years; the HAM-J method for drainage pipes completes work in a day for a single system.

Renovations for environmental friendliness and energy saving

- Renovations for energy saving, including heat insulation of buildings and adoption of multi-layer glass; advice on obtaining subsidies, etc.

Offerings for enhancing assets and lifestyle

Renovations for value enhancement.

- Employs barrier-free design, which is indispensable for the aged society.
- Renovations of entrances for improving the image.
- Prevents deterioration of building frame through external insulation.
- Replaces window sashes as a countermeasure against condensation.

Remodeling work

- Proposes optimum remodeling for not only unit floor plans and designs but also for replacement of water supply, drainage pipes and electricity facilities.
- Female interior coordinators make arrangements based on the condominium construction record data.
- Addresses a variety of themes such as lifestyles and adoption of natural materials.
- Conducts remodeling of stand-alone houses as well.

Condominium Rehabilitation and Building Replacement Business

In conducting the condominium building replacement business, a variety of requests must be met from the management associations, including investigations for choosing repairs or building replacement, building diagnosis, evaluation of seismic capacity, comparison of rough estimates for repairs and building replacement costs, establishment of a building replacement investigation committee, consensus building, mediation of temporary housing, resettlement of the residents and management after the resettlement. This is why the number of condominium building replacement cases remains extremely small, standing at 295 properties (including those under preparation) as of April 1, 2020, of which 254 properties were completed.

In conducting condominium replacement, Haseko has proposed more specific options for building consensus and solving problems to the owners and management associations through coordination among the Group companies. As such, the Company has conducted condominium replacement in 35 cases the most in Japan, as of April 2020.

Construction of Shirokane The Sky started



Started first for-sale condominium rebuilding project conducted by the private sector in Nagoya.

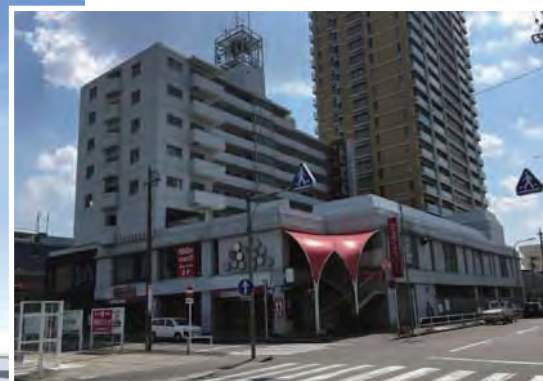
Hongo Center Heights Rebuilding Project
 Dismantling of the existing building began in August 2019
 Construction scheduled to begin in September 2020
 Scheduled to complete in November 2022



Architectural rendering



Multi-use development of residential, retail, plant, and medical facilities

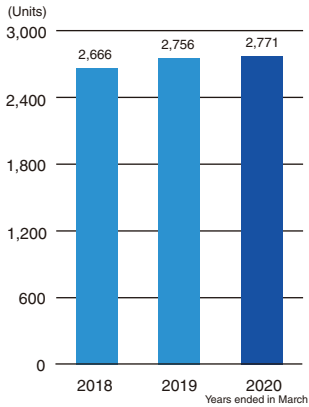


Before dismantling

Comprehensive Strengths of the Haseko Group Utilized in Condominium Rehabilitation

Total advisor of condominium rehabilitation:	Condominium Rehabilitation Division of Haseko Corporation
Purchase of redundant floors and sale to general consumers:	Haseko Real Estate Development, Sohgo Real Estate
Planning and design of condominium building replacement:	Engineering Division of Haseko Corporation
Mediation of temporary housing and advisory for negotiations on displacement of tenants:	Haseko Livenet, Residential Service, Haseko INET
Condominium building replacement construction:	Construction divisions of Haseko Corporation
Proposal on condominium management and operation:	Haseko Community, Haseko Community Nishinohon, Haseko Community Kyushu, Haseko Community Okinawa
Sale of for-sale condominiums and mediation of housing for mover:	Haseko Urbest , Haseko Real Estate
Mediation of paid facilities for the elderly and housing for the elderly:	Century Life , Seikatsu Kagaku Un-Ei

Changes in the number of paid facilities for the elderly



Medical Care Century House Mizonokuchi



In the Haseko Group, which takes into account Japan's super-aging society, Century Life Co., Ltd. has been planning and operating paid care facilities for the elderly. In 2016, Haseko Senior Holdings Co., Ltd. was established as a holding company controlling the senior living business as a whole and conducting project management, etc. Having incorporated Seikatsu Kagaku Un-Ei Co., Ltd. (which operates paid facilities for the elderly and other facilities) and Furusato Co., Ltd. (which operates Furusato, dementia-specialized day service facilities, in Kawasaki and Yokohama), the Haseko Group has expanded the scope of operations of the senior living business. In conducting the senior living business, Haseko Senior Holdings endeavors on a variety of new nursing care offerings, and provides next-generation housing for the elderly with an approach both in terms of operational know-how and physical products by taking advantage of the Haseko Group's strengths.



Century City Oji: Next-generation housing for the elderly that forms a large-scale multi-use community comprising residential, retail, educational and medical facilities and incorporates the mechanism and scheme that comfortably ties multiple generations, ranging from the elderly to children, both in terms of operational know-how and physical products.

New Endeavors for Nursing Care

- Adoption of "communication robots" supporting such activities as preventive care exercises, music and quiz games.
- "Niyari Hotto," a care program for those with dementia with a focus on making residents smile and doing "what they can do" and reflecting it in care plans.
- "No Lifting Policy" that reduces physical burdens of both people cared for and caring staff by employing transfer aid nursing care that utilizes assistive equipment.
- Boxing gymnastics with former world champion of professional boxing.
Boxing exercises after preparatory exercises with Yuyu Gymnastics, a care prevention exercise
Yuyu Gymnastics: a sitting exercise program designed to extend healthy life expectancy which can be performed by wheelchair users as well

Haseko Senior Holdings Co., Ltd.

Haseko Senior Holdings supervises the entire operations while giving support to the operating companies that are subsidiaries under its umbrella.

Century Life Co., Ltd.

The company provides senior living with security and comfort by offering well-equipped facilities and a variety of services, centering on facilities with nursing care.

Seikatsu Kagaku Un-Ei Co., Ltd.

The company operates housing for elderly people, including paid facilities for the elderly, in Kanto, Chubu and Kansai areas, attaching importance to communities.

Furusato Co., Ltd.

Dementia specialized facilities for day care services.

Management of paid facilities for the elderly

Conducts management of paid facilities for the elderly, totaling approximately 2,400 units for the entire Group. Implements living support services to the residents, including eating, bathing and living rehabilitation, medical treatment and nursing in coordination with medical institutions, and periodical health checks and other daily health management.

Home nursing care service

Conducts preparation of nursing care plans by care managers, periodical review of the plans and consultation on nursing care, etc., and communicates and makes arrangements with service providers. Also visiting nursing care services by the helpers including physical nursing care, providing services to suit the physical conditions of the users.

Planning and consulting business

Conducts planning for paid facilities for the elderly, housing for the elderly and multi-generation housing, offering services for planning and consultation of nursing care and welfare.

Others

Develops and provides life support systems, holds lectures, symposiums and seminars on lifestyle and living, and coordinates community creation and town creation.

Day service

The company operates Furusato, dementia specialized day service facilities, in Kawasaki and Yokohama.

Starting with its entry into the State of Hawaii in the U.S. in 1973, the Haseko Group implemented real estate business in the country in such areas as California and New York, conducting development of mid- and high-rise condominiums, office buildings, hotels, and retail facilities. Since 1999, it has conducted housing development for actual use demand through a project in 'Ewa District, Hawaii. The housing development for actual demand covering approximately 4,000 units completed in 2018, and ongoing operations in Hawaii are limited to resort development.

In Southeast Asia, the Company opened a representative office in Vietnam in 2012 and a representative office in Indonesia in 2017. The Company developed a serviced apartment for Japanese people in Hanoi, Vietnam, which completed in 2017. The Haseko Group plans to build a track record through these endeavors going forward with an aim to establish a future revenue source in Southeast Asian countries.



A project in 'Ewa District, Hawaii

A serviced apartment for Japanese people in Hanoi, Vietnam

New Initiatives

In March 2019, Haseko America, Inc. (HAI), a subsidiary, entered the senior living business in the U.S. by agreeing with MBK Real Estate LLC (MRE), a U.S. subsidiary of Mitsui & Co., Ltd., to acquire equity interests in 9 local senior residential facilities (approximately 1,200 units) owned and operated by MBK Senior Living LLC, MRE's subsidiary. Moreover, in December, HAI concluded a joint business agreement with MBK Rental Living LLC (MRE's subsidiary for residential development), a wholly owned U.S. subsidiary of Mitsui & Co., regarding a development project for rental housing (Duarte Station Apartments) in Duarte, Los Angeles County, California, and carried out equity investment in Duarte Multifamily, LLC, a special purpose company for development. By participating in the rental housing development business in North America where the market is highly transparent and strong rental demand is anticipated, the Company aims to build a revenue base for the Haseko Group's overseas business, enrich its knowledge of the development business in North America, and establish networks abroad.



Senior residential facilities



Rental housing in Duarte (completion image, subject to change)

Initiatives on Research and Technological Development

Haseko Technical Center

Haseko Technical Center was established in March 2018 as a development base by integrating Haseko Technical Research Institute, Haseko Group Technical Training Center and Haseko Community Owl 24 Center with an aim to secure future progress in research and technological development. The center conducts research and technological development to secure safe and comfortable living from a lifestyle perspective, offers education and training for the Company's staff, and provides information on a variety of issues. In addition, Haseko Condominium Museum has been newly established in the main building. The museum displays exhibits explaining the history of the Haseko Group, track record and concepts of future housing, and features a section in which visitors can experience construction using virtual reality systems, etc. The Company works to enhance the center as a base to provide information on new technologies, new products and technical verifications, etc.



Haseko Condominium Museum

The museum allows visitors to learn all about condominiums, as they can see, touch and feel everything related to condominiums. Through actual offerings, visitors can experience the history of condominiums, from the birth of humankind through the establishment of apartments, and the differences between condominiums of earlier days and present times. The museum also shows the production flow and specification changes of condominiums, including design, construction and structures, introduces cases of repair and building replacement to maintain the asset value, and demonstrates the future prospects of condominiums. Visitors can also browse pamphlets of properties handled by the Haseko Group.



The operational flow of the condominium business and changes in condominium specifications are explained by using motion pictures and exhibits.



A profound movie depicts the birth of humankind through the history of apartments, highlighting the fulfillment found in humans residing together.



Changes in apartments in Japan and around the world are demonstrated through panels.

Haseko Technical Research Institute

Haseko Technical Research Institute features a Housing Test Building (for apartments), a full-scale model of an actual condominium, and a Multi-Purpose Test Building, which houses test areas for such subjects as structures, materials and environmental issues, and conducts a variety of performance tests and research and development on apartments. Aiming to create “housing in which residents can live securely and comfortably over a long time,” the institute is responding to the new needs of customers and society through such efforts as extending the life of buildings, improving seismic performance and environmental issues including reduction of CO₂ emissions.

Key Notable Technologies

Notable technologies of Haseko Technical Research Institute, which coordinates with the technology-related departments of Haseko Corporation and the Group companies as well as promotes joint research and development with universities and research institutions, are presented below.

Creating earthquake-resilient condominiums

Safety and durability of basic specifications (for interior and exterior fittings) confirmed using an actual-sized test object that is among the largest in the world.

Haseko Corporation conducted joint research with National Research Institute for Earth Science and Disaster Resilience (NIED) regarding the safety and durability of condominium interior and exterior fittings^(*). The test object, which was modeled after an apartment, has 10 floors in a reinforced-concrete structure, a height of approximately 27.5 meters, and weighs approximately 930 tons, and is among the largest in the world as a shaking table test object^(**). The joint research was conducted by Haseko and NIED on the second floor of the test object, studying and understanding the movement, status of damage, and safety, etc. of interior and exterior fittings and facility-related materials.

Set in the test object, the interior and exterior fittings and facility-related materials, which featured the Company's fundamental specifications, proved to be usable continuously even after reproducing tremors of magnitude 7.3 four times, although the degree of damage increased slightly with each tremor. As such, their safety and durability were confirmed.

^(*) ALC exterior wall, exterior tile finish, steel-door entrance (SD), interior wall (plaster board, cloth), storage fittings, vertical piping for water supply

^(**) As of the end of May 2019



A multi-purpose test building with wall greenery effective for mitigating global warming and reducing CO₂ emissions



Full view of the actual-sized test object, which is among the largest in the world

Utilization of ICT at Haseko

Development of ball-passing test system using RFID (electronic tag)^(*) for drainpipes

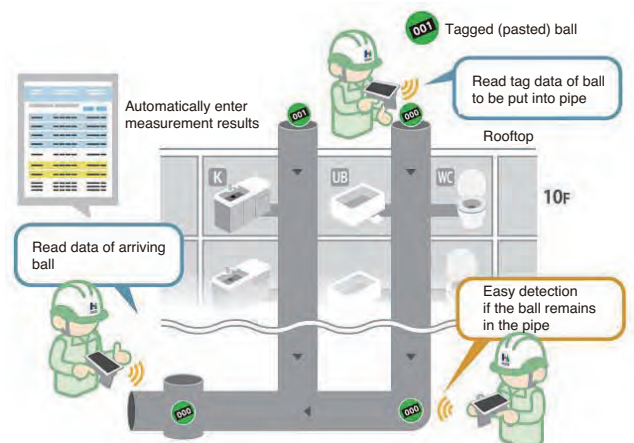
A demonstration test was carried out in May 2018 for the purpose of increasing the efficiency of the ball-passing test for drainpipes^(**) which had been conducted manually in facility inspections conducted before the completion of newly built for-sale condominiums. As a result, the inspection time and the time needed to prepare documents including inspection records were reduced. Accordingly, with the evidence obtained from inspection results, the Company started full-scale operation of the test system for facility inspections of newly built for-sale condominiums in the Tokyo metropolitan area. Going forward, the Company will promote corporate-wide introduction of the test system to enhance the efficiency of facility inspections and aim to help enhance productivity at construction workplaces.

^(*) Radio Frequency Identification: an automatic recognition technology that enables non-contact reading and writing of electronic tag data through wireless communications

^(**) Ball-passing test for drainpipes that penetrate through each unit. The test ball is put into the pipe from the rooftop air vent before running water, and is collected at the outdoor catch basin.

[Effectiveness of “Drain Trace,” a ball-passing test system using RFID for drainpipes]

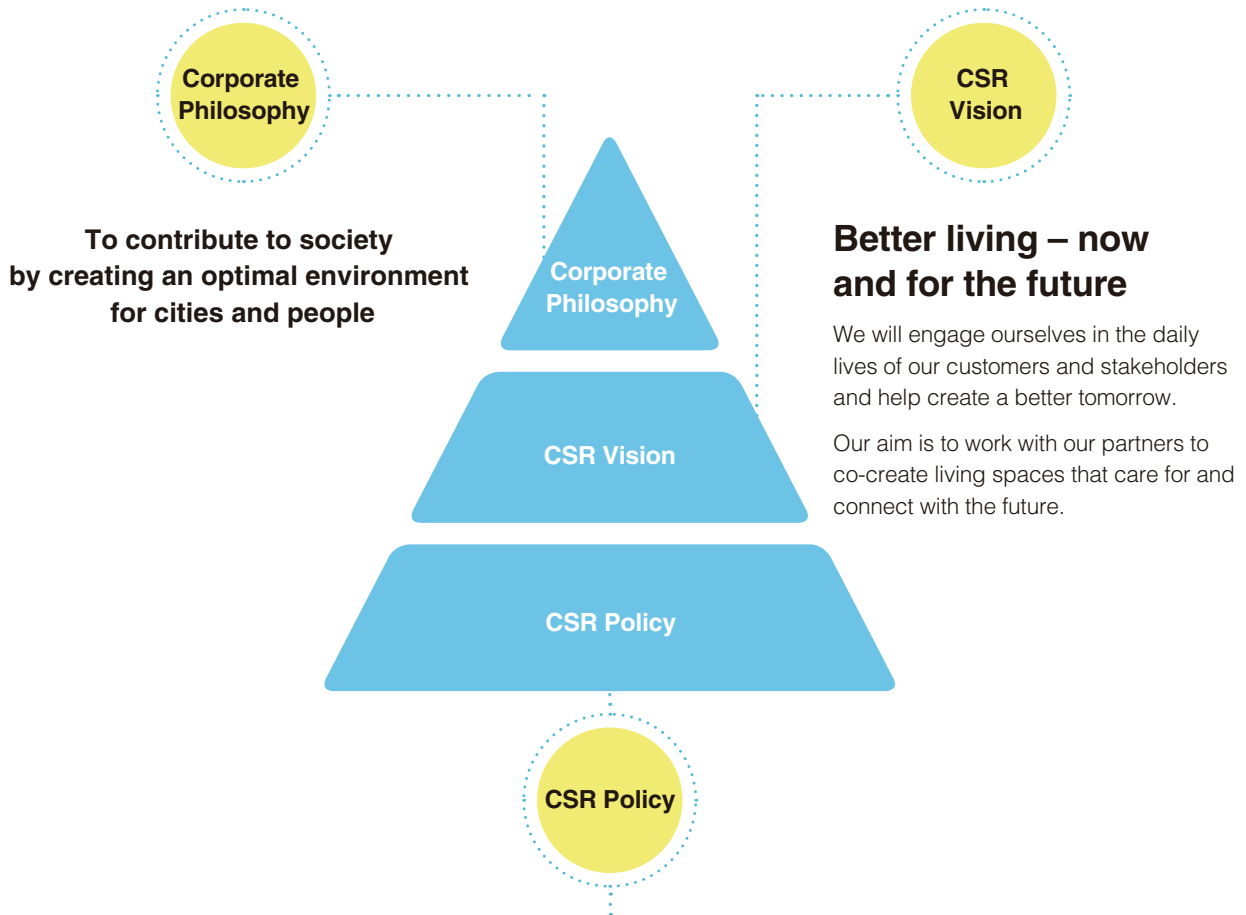
- Inspection time reduced (by around 30%)
- Time for preparing documents including inspection records reduced (by around 30%)
- Evidence obtained through automatic input of inspection results (enhanced reliability of the measurement data)
- Accuracy and workability of input data improved by timestamp
- Easy detection of test ball remaining in drainpipe



Haseko Group’s CSR Management

We at the Haseko Group adopt a long-term perspective as we aim to address the social issues surrounding our daily lives through business operations.

As a corporate group for housing to create great living, we will promote CSR initiatives based on our CSR vision below to fulfill our corporate philosophy.

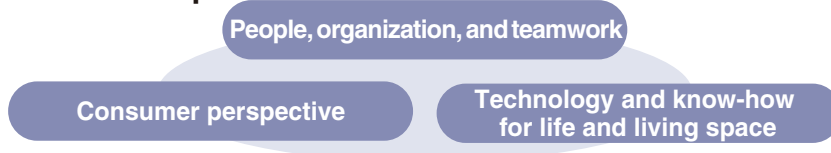


Based on our CSR vision, we, in the Haseko Group, promote CSR activities in accordance with the following policy items:

1. Through a broad range of businesses related to housing and daily life, we will contribute to the realization of a sustainable society.
2. In collaboration with our stakeholders, we will take action to integrate social and environmental concerns into our businesses processes.
3. Utilizing the collective capabilities of our Group, we will strengthen our management ability in order to create new value for society and meet the expectations of our customers and other stakeholders.
4. In all our business activities, we will comply with the law and act on the basis of high ethical standards.
5. We will continue to improve our CSR initiatives, proactively disclose information, and aim to raise transparency throughout the organization.

The capabilities of the Haseko Group

We cherish the collective capabilities of the Haseko Group, and they serve as the primary driving force of our CSR initiatives.



Our Four Main CSR Themes

We are determined to promote initiatives aimed at realizing the “four main CSR themes” that describe what the Haseko Group’s CSR should be.

Our Four Main CSR Themes	Eighteen key sub-themes	Related SDGs	ESG*
Creating attractive living spaces	<ul style="list-style-type: none"> ● Safety, security and comfort ● Enabling diverse lifestyles ● Community ● Environmental consideration in daily life 		E / S
Building a company worth working at	<ul style="list-style-type: none"> ● Enabling the flourishing of diverse talent ● A safe and healthy working environment ● Personnel development and technology succession ● Supply chain 		S
Protecting the precious environment	<ul style="list-style-type: none"> ● Cyclical resource use ● Energy & CO₂ ● Pollution prevention and consideration for the local environment ● Supply chain 		E
Nurturing a culture of trust	<ul style="list-style-type: none"> ● Corporate ethics and compliance with the law ● Respect of human rights ● Information disclosure and stakeholder engagement ● CSR education and training ● Promotion of philanthropic activities ● Strengthening of collective capabilities of the Group 		G

*ESG: Environment, Social, Governance

Social issues and SDGs closely related to the Haseko Group’s businesses

Of the seventeen Global Goals (SDGs) promoted by the United Nations, we have identified ten that are deeply connected to our business. We recognize that the business and operations of the Haseko Group are closely linked to social and environmental challenges, and through solution-oriented business actions, we aim to create synergies between the generation of social value and the growth of the Haseko Group.

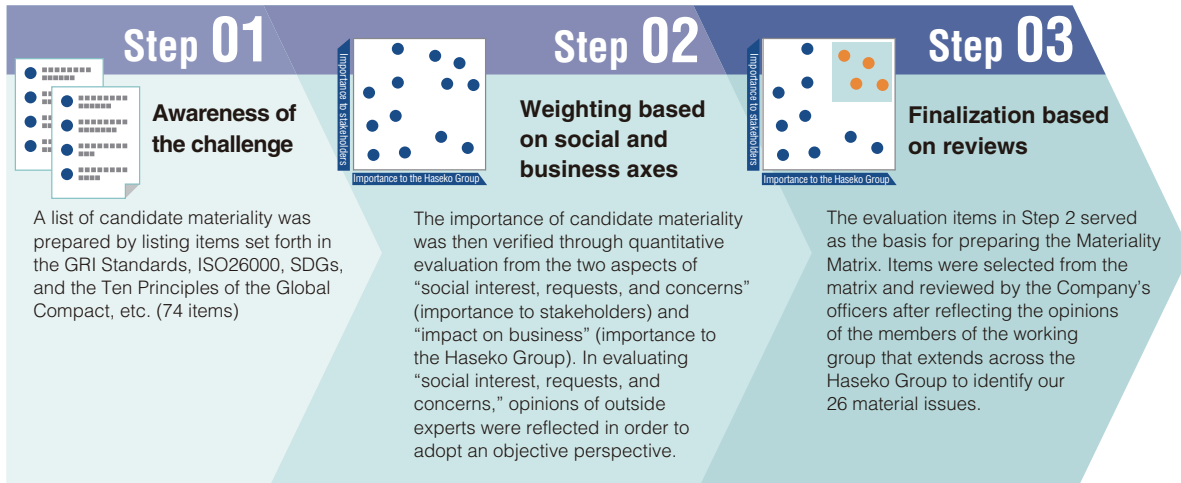
Social issues surrounding our daily lives

Response to climate change; Conservation of ecosystems
 Safety and security; Disaster prevention and disaster response;
 Regional revitalization; Response to demographic change and aging society; Diversity promotion; Active participation of women; Health, medical care, and nursing care: Vocational education and creation of employment opportunities;
 Childcare and parental care; Sustainable consumption;
 Cyclical use of resources

Materiality

Amidst accumulating environmental and social issues, including climate change, energy problems, aging society with fewer children, and poverty and human rights, corporations face a growing responsibility to solve such issues. In consideration of social conditions and its business environment, the Haseko Group has identified the issues it should address with priority as its materiality, and has formed such into guidelines for promoting CSR.

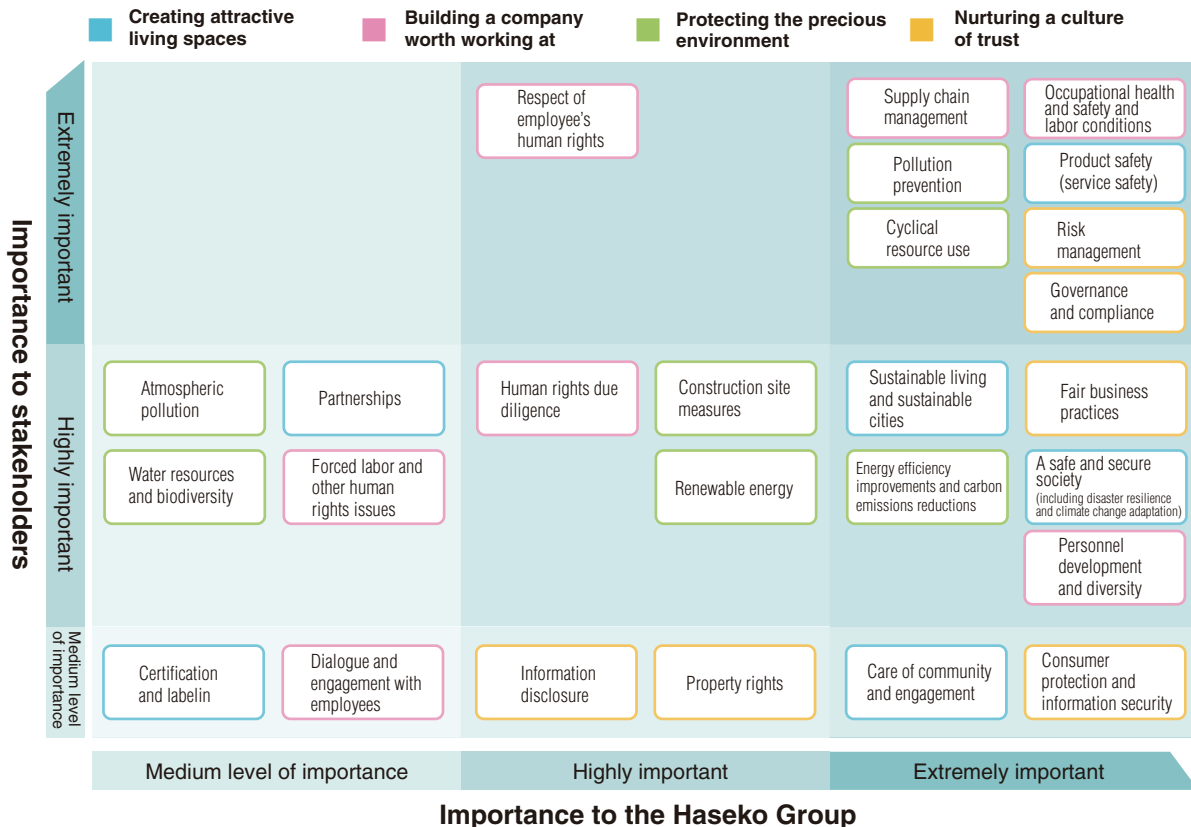
Materiality Identification Process



In the fiscal year ending March 2021, we plan to review our materiality in response to change in social conditions and the business environment.

Haseko Group Materiality

Identified materiality have been incorporated as components of our four main CSR themes.



Toward Establishing CSR Management

— “Haseko Next Stage Plan,” Our Medium-Term Business Plan

In April 2020, the Company established the Haseko Group Long-Term Vision ~What the Company Aims to Be for the Fiscal Year Ending March 2030 ~ and the Haseko Next Stage Plan (Plan NS), the medium-term business plan for achieving the vision, with an aim to make a further leap forward as a “corporate group for housing to create great living.”

By setting “endeavors on CSR management” as a key strategy and working to further enhance its linkage with corporate management, the Company will aim to achieve sustainable growth of the Haseko Group.

In order to make a further leap forward as a corporate group for housing to create great living, the Company will implement the following initiatives.

1. Enhance corporate value by implementing both “creating social value” and “growing the group” through solving social problems regarding business
2. Incorporating important ESG factors to pursue for long-term growth, and the strengths of the Company group into CSR themes, and promoting CSR target

Haseko Group CSR Action Plan

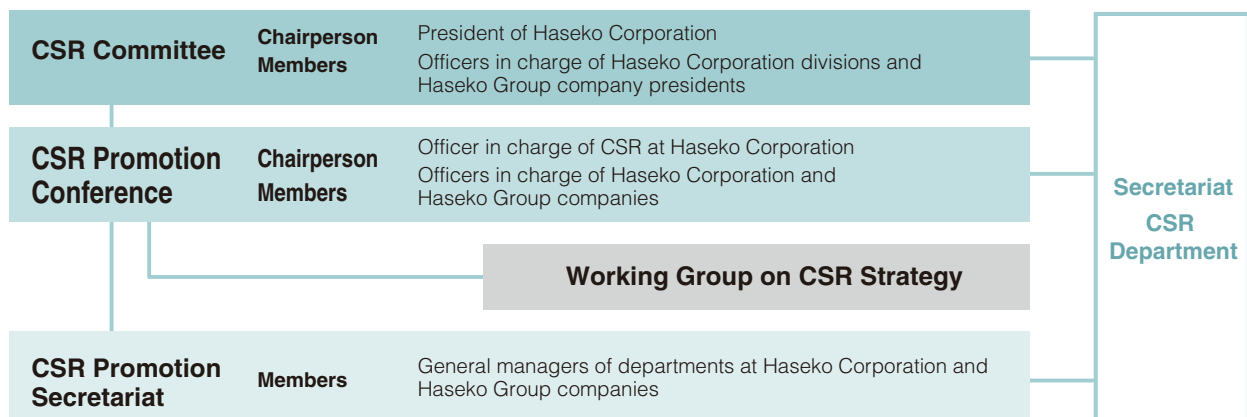
The Company has established the Haseko Group CSR Action Plan to designate specific initiatives for implementing CSR management and works to promote such endeavors. The CSR Action Plan, with the four main CSR themes as its basic structure, consists of initiative items to move toward “What the Company Aims to Be for the fiscal year ending March 2030,” as well as key performance indicators (KPIs) to measure how much progress is made to achieve the goal. The Action Plan covers the business activities of the entire Haseko Group, and will be reviewed and improved each fiscal year.

With the medium-term business plan (Plan NS) established in April 2020, the Company reviewed the Action Plan in order to further reinforce the linkage between CSR and the management policy.

CSR Management System

In order to ensure that progress is made in CSR activities, the Company operates its CSR Management System and conducts PDCA management. The CSR Management System consists of the members of the CSR Committee, the Officers in charge of CSR, and the CSR Promotion Leaders selected from various departments of Haseko Corporation and the Haseko Group companies, and works to promote and instill CSR activities throughout the Group.

Diagram of CSR Management Structure



Corporate Governance

Haseko Corporation has made it a basic policy of its corporate management to contribute to society and win society's confidence through its business operations that put customers first. The Company has also positioned reinforcement of corporate governance as one of its utmost management priorities as it recognizes that it is indispensable to secure management transparency and objectivity for maximizing corporate value in a stable manner over the long term and ensuring shareholders' interests.

The Board of Directors of Haseko Corporation serves as the institution where directors with expert knowledge and experience in various business sectors conduct decision-making on managerial issues and supervise execution of duties of other directors. As for monitoring of management operations, the Company's system provides the Board of Auditors, the majority of which are outside auditors, with the monitoring function from an objective and neutral standpoint from outside through implementation of audits. On top of these functions, starting in June 2016, Haseko appointed outside directors with abundant experience and track

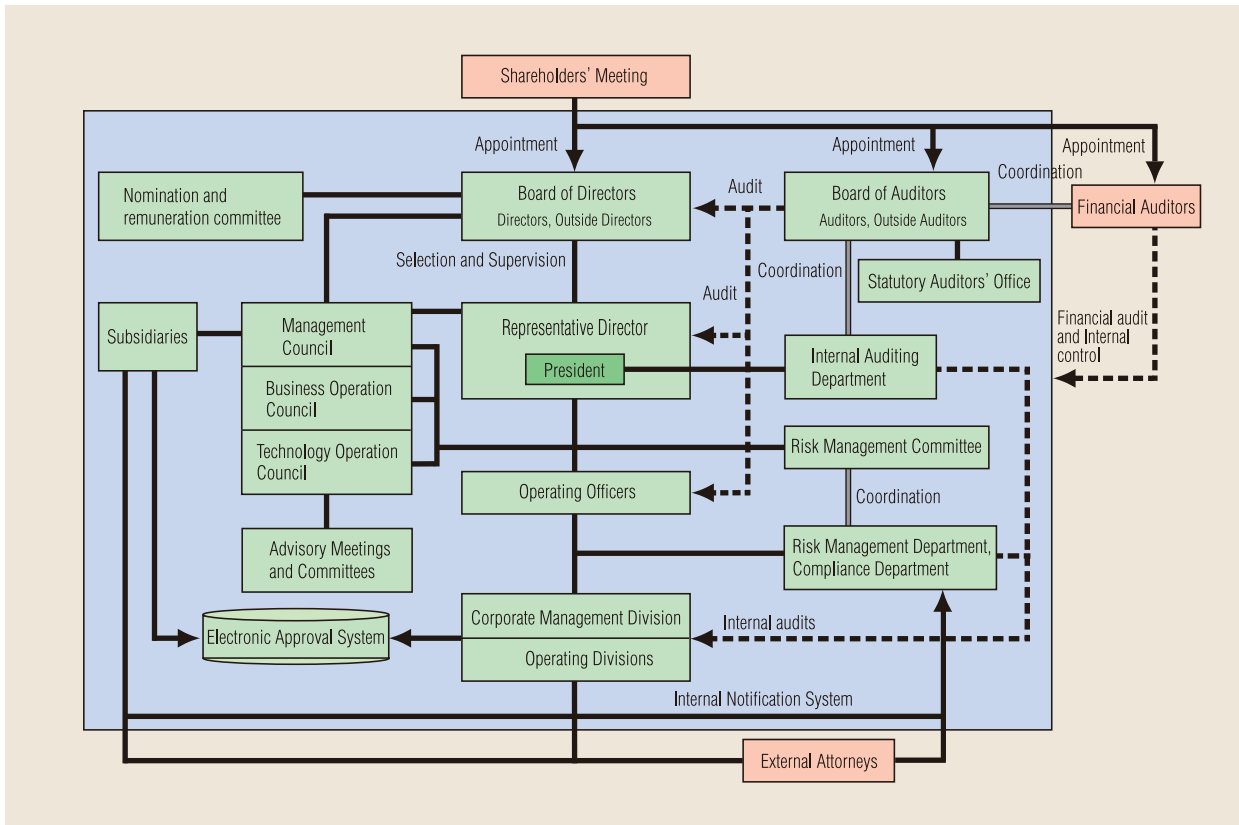
record to occupy at least one third of the Board of Directors, so that they shall provide appropriate opinions and advice in order to further activate discussions at the Board of Directors as well as enhance the function to monitor business management. We are working to establish a system that is optimum for the Company, taking into consideration the balance between the operation of the Board of Directors and the monitoring functions.

Roles and Operations of Corporate Institutions

The Board of Directors holds regular meetings once a month and additional special meetings as necessary, and is responsible for important decision-making and regular reports on matters related to management. In addition, operating officers make operational reports on a regular basis to the Board.

The Nomination and Remuneration Committee is an advisory body for the Board of Directors, a consulting body to secure objectivity, transparency and fairness of the procedures related to the nomination and

Diagram of company institutions and internal governance



remuneration, etc. of directors and enhance corporate governance. The committee comprises all independent Outside Directors and an equivalent or below number of Representative Directors, etc.

The company has established the Management Council and two operation councils – the Business Operation Council and the Technology Operation Council – to facilitate prompt and flexible decision-making on matters related to daily operations to the extent they are authorized by the Board of Directors. Participation of directors in the Management Council and the Operation Councils are limited to a certain level, so that the functions of making decisions and supervising such decision-making are divided and clarification is made for the responsibilities and authority for these functions. Moreover, the function of discussing in advance the important issues to be decided at the Board of Directors is performed by the Management Council.

The Risk Management Committee is held once every quarter under the chairmanship of the President, and shall also be held on an ad hoc basis as necessary whenever any material risk has arisen. It examines and determines the establishment, amendment or abolishment of internal rules on risk management and risk prevention plans, etc., as well as discusses and decides on the implementation policies and specific measures for risk management, among other things.

Internal Governance and Risk Management System

Compliance System

With the recognition that intensive compliance is indispensable for the existence and continuity of a corporation, the Company established the Haseko Group Standards of Conduct in April 2003, under which Haseko has been working to establish a management system where all directors, operating officers and staff respect societal standards and take sensible courses of action in keeping with their duties as members of society, as well as complying with all laws and the Company's articles of incorporation, so that the Company can win the confidence of society. Moreover, for enhanced compliance Haseko established the Compliance Department which conducts promotion and education of compliance based on the internal rules and regulations on compliance. An internal whistle-blowing system for consultations on compliance and notification of illegal conduct, etc. and an external contact have also been established.

In April 2005, the Company established the Internal

Auditing Department that is under the direct control of the President. Pursuant to internal rules and regulations on internal audits, the Department investigates and evaluates whether activities of Haseko Group's respective divisions conform to laws and regulations, the Articles of Incorporation, the Company's rules and regulations, corporate policies, etc. and whether they are reasonable, and works to make improvements based on the results. The Company has no relations with anti-social forces or groups that threaten the order and security of civic life, and will cope with such anti-social forces and groups systematically, and with an adamant and resolute attitude.

Risk Management System

In anticipation of a variety of risks, Haseko endeavors to collect risk-related information and prepares preventive measures and appropriate countermeasures in advance against risks according to their magnitude and possibility of arising. Through these efforts, Haseko aims to minimize the potential losses and to systematically cope with risk management centering on the Risk Management Department established in April 2006. Specifically, Haseko has set up a system in which respective sections of the Management Division coordinate with each other and check the status of business operations in accordance with the roles they are assigned, while the Internal Auditing Department conducts further checking.

For the corporate approval system that serves as a record of decision-making for work implementation, the Company has introduced an electronic system in which legal procedures have been digitized. This system enables auditors and the Management Division to view and check the content at any time. Furthermore, of the issues forwarded to the Board of Directors, the Management Council and the two operation councils (the Business Operation Council and Technology Operation Council), those involving many departments or requiring specialized knowledge are subject to sufficient verification in advance by the adequately established advisory meetings and committees. Periodical results reports are also mandatory for issues that require monitoring.

On top of these, the Company established the Risk Management Council under the chairmanship of the President, in May 2006 with the aim of strengthening the risk management system of Haseko and its entire Group. This enhanced the Company's risk management system in which cross-sectional collection of information, analysis, valuation and handling of risks are conducted in accordance with the internal rules on risk management.

Management Team *(As of June 26, 2020)*

Directors and Corporate Auditors

Noriaki Tsuji Representative Director Chairman	Kazuo Ikegami Representative Director President	
Junichi Tani Director	Nobuhiro Tani Representative Director	Toshiyuki Murakawa Director
Shoji Naraoka Director	Masahito Koizumi Director	Satoshi Kumano Director
Osamu Takahashi Outside Director	Kazuhiko Ichimura Outside Director	Masashi Kogami Outside Director
Mami Nagasaki Outside Director	Toshikatsu Ogura Outside Director	
Takahisa Chikayama Full-time Corporate Auditor	Hiroyuki Takuma Full-time Corporate Auditor	
Yoshitaka Fukui Corporate Auditor	Mitsuo Isoda Corporate Auditor	Takeshi Ikegami Corporate Auditor

Operating Officers

Executive Vice Presidents

Junichi Tani	Nobuhiro Tani
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Executive Operating Officers

Toshiyuki Murakawa	Takashi Tsuruta
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Senior Operating Officers

Masaaki Matsuoka	Katsuhide Takahashi	Shoji Naraoka
Masahito Koizumi	Yoshiaki Yamada	Mamoru Kameoka
Misato Yamamoto	Satoshi Kumano	Toru Yamaguchi
Toshihiko Tatsuno	Seiji Fuseya	Kuniyoshi Mimori

Operating Officers

Makoto Murakami	Shinji Yamanaka	Naoyuki Kumagai
Eijo Daimon	Tetsutoshi Odajima	Koichiro Nomura
Yoji Kubo	Akio Nakaoka	Hirohito Tamura
Ryota Kida	Masahiro Maruyama	Norio Nishikawa
Tsunehisa Mitamura	Ryoichi Hamada	Fujio Kanamaru
Hirohiko Shoyama	Akihiko Matsuzawa	Kazumasa Osone
Katsuaki Tanaka		

Five-Year Summary
Haseko Corporation and its Consolidated Subsidiaries
 (Years ended March 31, 2016, 2017, 2018, 2019 and 2020)

	Millions of Yen				
	2016	2017	2018	2019	2020
For the Year:					
Net sales	¥787,354	¥772,328	¥813,276	¥890,981	¥846,029
Cost of sales	674,007	629,454	656,031	733,130	699,268
Selling, general and administrative expenses	44,585	53,842	56,440	59,421	60,837
Operating income	68,762	89,032	100,805	98,430	85,925
Ordinary income	67,327	88,827	100,497	100,369	85,253
Income before income taxes	68,850	78,256	101,021	121,241	87,155
Net income attributable to owners of parent	51,226	58,762	72,289	87,391	59,851
For the Year:					
Cash flows from operating activities	65,590	109,536	56,516	33,064	(15,263)
Cash flows from investing activities	(30,801)	(19,824)	(16,351)	(14,473)	(37,222)
Cash flows from financing activities	(16,286)	(40,213)	(34,743)	(12,379)	(8,356)
Cash and cash equivalents at end of the year	152,115	201,456	206,866	212,980	151,754
At Year-end:					
Total current assets	¥448,140	¥478,611	¥505,271	¥568,303	¥572,334
Total assets	589,993	630,937	687,706	773,219	799,319
Total current liabilities	259,960	270,002	280,896	287,317	247,346
Total long-term liabilities	144,658	122,469	109,975	117,851	164,291
Total shareholders' equity	191,580	245,358	301,245	373,645	401,187
Net assets	185,375	238,467	296,835	368,051	387,682
Yen					
Per Share Data:					
Net income attributable to owners of parent	¥170.41	¥195.48	¥241.98	¥293.87	¥201.36
Net assets	615.21	791.24	995.44	1,234.13	1,323.51
Ratios:					
Profit ratio of construction contracts (%)	15.8	19.2	21.1	18.6	17.6
Operating income ratio (%)	8.7	11.5	12.4	11.0	10.2
Equity ratio (%)	31.3	37.7	43.0	47.5	48.5
Return on equity (%)	31.2	27.8	27.1	26.4	15.9
Price/Earnings ratio (times)	6.15	6.16	6.69	4.74	5.75
Payout ratio (%)	8.8	15.3	20.7	27.2	34.8
Number of employees	6,136	6,602	6,816	6,974	7,315

(1) Business Performance for the Fiscal Year Ended March 2020

In the fiscal year ended March 2020, the Japanese economy was experiencing moderate recovery given continued improvements in the employment and income environments but changed course to rapid deterioration under the impact of the spread of the novel coronavirus (COVID-19) from the latter half of the fiscal year. Under such circumstances, new supply of condominium units in the fiscal year under review stood at 28,563 units (down 22.0% year on year) in the Tokyo metropolitan area and 17,452 units (down 13.1% year on year) in the Kinki area. There was a continued tendency of cautious attitudes toward developing supply both in the Tokyo metropolitan area and the Kinki area. On top of this, the impact of the government's request for self-restraint from going out due to the spread of COVID-19 started to emerge especially in the Tokyo metropolitan area where new supply was stagnant with the figure falling below 30,000 units for the first time in 27 years since fiscal 1992 (when the figure was 28,460 units). The initial-month sales rate, which serves as the benchmark for the status of sales, was 61.3% (down 0.7 percentage points) in the Tokyo metropolitan area to stay on the 60% level for the fourth consecutive year, while in the Kinki area it surpassed 70% to reach 73.1% (down 1.3 percentage points), both on a year-on-year basis. The number of for-sale units being marketed as of the end of March 2020 decreased to 7,888 units (down 4.6%) in the Tokyo metropolitan area, indicating a favorable trend, but increased to 2,731 units (up 14.8%) in the Kinki area. An analysis of products supplied in the fiscal year shows that the unit price rose to 901 thousand yen/m² (up 3.0%) in the Tokyo metropolitan area, with the average market price surpassing 60 million yen at 60.55 million despite the average unit space dropping to 67.20 m² (down 0.8%). In the Kinki area, while the unit price rose to 691 thousand yen/m² (up 4.2%), the average market price remained unchanged from the previous fiscal year at 39.03 million yen as the average unit space shrank to 56.51 m² (down 4.1%) partly due to an increase in the supply of properties centering on condominiums with compact units.

Given such situations, for the fiscal year under review that represents the final year of the "newborn HASEKO Jump Up Plan"

(Plan NBj), the Company's medium-term business plan, the Haseko Group steadily accumulated profits as respective companies engaged in the Service-Related Business performed strongly, although the Construction-Related Business saw its gross profit margin for completed construction contracts drop. Consequently, the Haseko Group achieved ordinary income of 85 billion yen, the figure forecast at the beginning of the fiscal year.

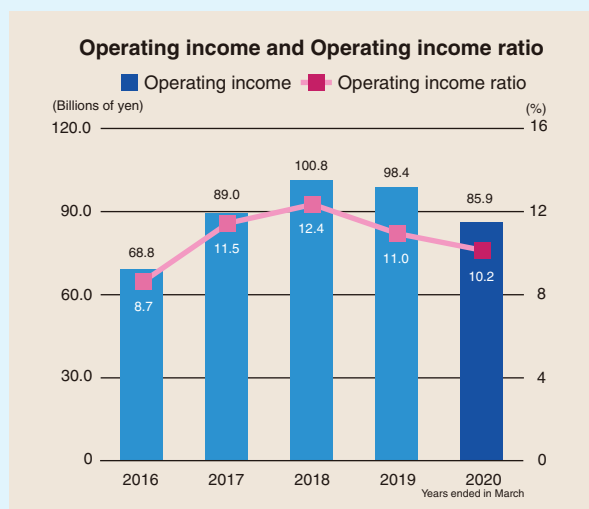
As a result of the above, both sales and profits for the fiscal year ended March 2020 decreased year on year. Net sales fell by 5.0% to 846.0 billion yen mainly due to a decrease in the real estate handling volume. Operating income was down 12.7% at 85.9 billion yen mainly due to lowered gross profit margin of completed construction contracts for condominium construction works, and ordinary income stood at 85.3 billion yen, down 15.1%. Meanwhile, net income attributable to owners of parent decreased 31.5% year on year to 59.9 billion yen as a reaction to the recording of special income from business transfer in the previous fiscal year. The operating income ratio was 10.2% (down 0.8 percentage points) and the ordinary income ratio came to 10.1% (down 1.2 percentage points).

(2) Performance by Segment

Construction-Related Business

In the Construction-Related Business, project owners have had high regard for the Company's ability in gathering land information for construction works as well as product planning, its attitude regarding construction quality and maintaining construction schedules, efficient production system, and such. Meanwhile, 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 99 projects in total throughout Japan consisting of 67 in the Tokyo metropolitan area including 26 large projects of at least 200 units and 32 in the Kinki and Tokai areas including 8 large projects of at least 200 units. In addition, aside from for-sale condominiums, the Company received orders for 8 projects including rental condominiums and company housing.



Performance by segment

	Construction-Related Business		Service-Related Business		Overseas-Related Business	
	2020	2019	2020	2019	2020	2019
Net sales	635.9	(-55.8)	256.1	(+28.1)	0.4	(-3.5)
Operating income	73.0	(-14.2)	21.3	(+5.8)	-3.8	(-3.3)

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

As for construction completion, the Company completed construction of 108 projects including 11 projects for rental condominiums, etc.

The segment posted sales of 635.9 billion yen, a year-on-year decrease of 8.1% mainly due to the drop in the real estate handling volume, while operating income totaled 73.0 billion yen, a year-on-year decrease of 16.3%, mainly due to the lowered gross profit margin of completed construction contracts.

Service-Related Business

In the Service-Related Business, large-scale repair work and interior remodeling posted a year-on-year decrease in sales and profits, partly because the volume of orders for construction works is declining in the market as a whole due to extension of repair cycles in accordance with the extended life of buildings on top of the reaction to the moving-up of order placement before the consumption tax rate hike.

In the management of rental condominiums and corporate housing management agency services, the number of units Haseko operates reached a combined total of 163,519 units, an increase of 6.0% 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, the number of contracted units decreased while the number of delivered units increased year on year as deliveries of properties contracted in the previous fiscal year saw steady progress, among other factors.

In real estate brokerage operations, the number of brokered units decreased while the number of sold units in the renovation business increased from the previous fiscal year.

In for-sale condominium management operations, the number of units the Haseko Group is consigned to manage reached 407,941

units (up 3.4% year on year) with new consignment remaining strong partly thanks to reinforced marketing activities in Kyushu and other regional areas.

In real estate sales, the Company conducted sale and delivery of 8 for-sale condominiums that were newly completed in the fiscal year under review as well as other products.

In the senior services business, the number of paid facilities for the elderly and housing for the elderly in operation totaled 2,311 units (up 2.3% year on year) mainly as a result of progress seen in move-ins to paid facilities for the elderly that were opened in recent years.

As a result of the above, the segment posted sales of 256.1 billion yen, or up 12.3%, and operating income of 21.3 billion yen, or up 37.3%, both on a year-on-year basis.

Overseas-Related Business

The for-sale stand-alone housing business in Oahu, Hawaii, progressed as planned, and deliveries of houses were mostly completed by the end of the previous fiscal year. The segment posted sales of 0.4 billion yen, down 88.9% year on year, and operating loss of 3.8 billion yen (in contrast to operating loss of 0.4 billion yen in the previous fiscal year) in accordance with the recording of 2.5 billion yen as valuation loss on inventories.

(3) Financial Position

Total assets at the end of the consolidated fiscal year ended March 2020 increased by 26.1 billion yen from the end of the previous fiscal year to 799.3 billion yen. This is attributable to 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.

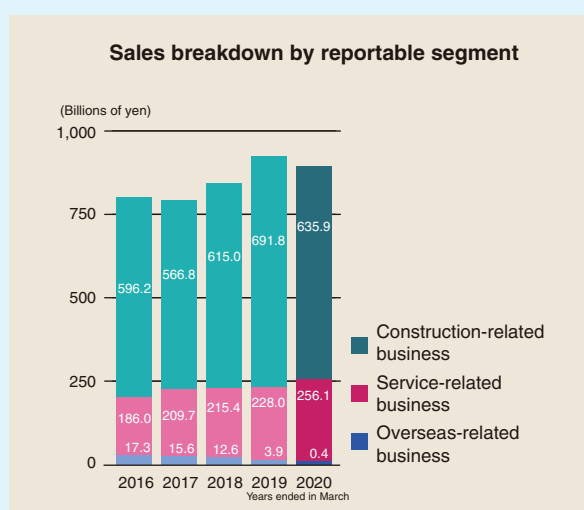
Total liabilities were 411.6 billion yen, an increase of 6.5 billion yen from the end of the previous fiscal year. This is attributable to borrowing of debt and other reasons despite a decrease in income taxes payable.

Consolidated net assets were 387.7 billion yen, an increase of 19.6 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 48.5% compared with 47.5% at the end of the previous fiscal year.

Construction-Related Business

Assets of the Construction-Related Business amounted to 293.6 billion yen as of the end of the fiscal year under review, up 29.4 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.



Assets by segments

Billions of yen

Segment assets	Construction-Related Business		Service-Related Business		Overseas-Related Business	
	293.6	(+29.4)	399.4	(-17.5)	40.1	(+7.4)

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

Service-Related Business

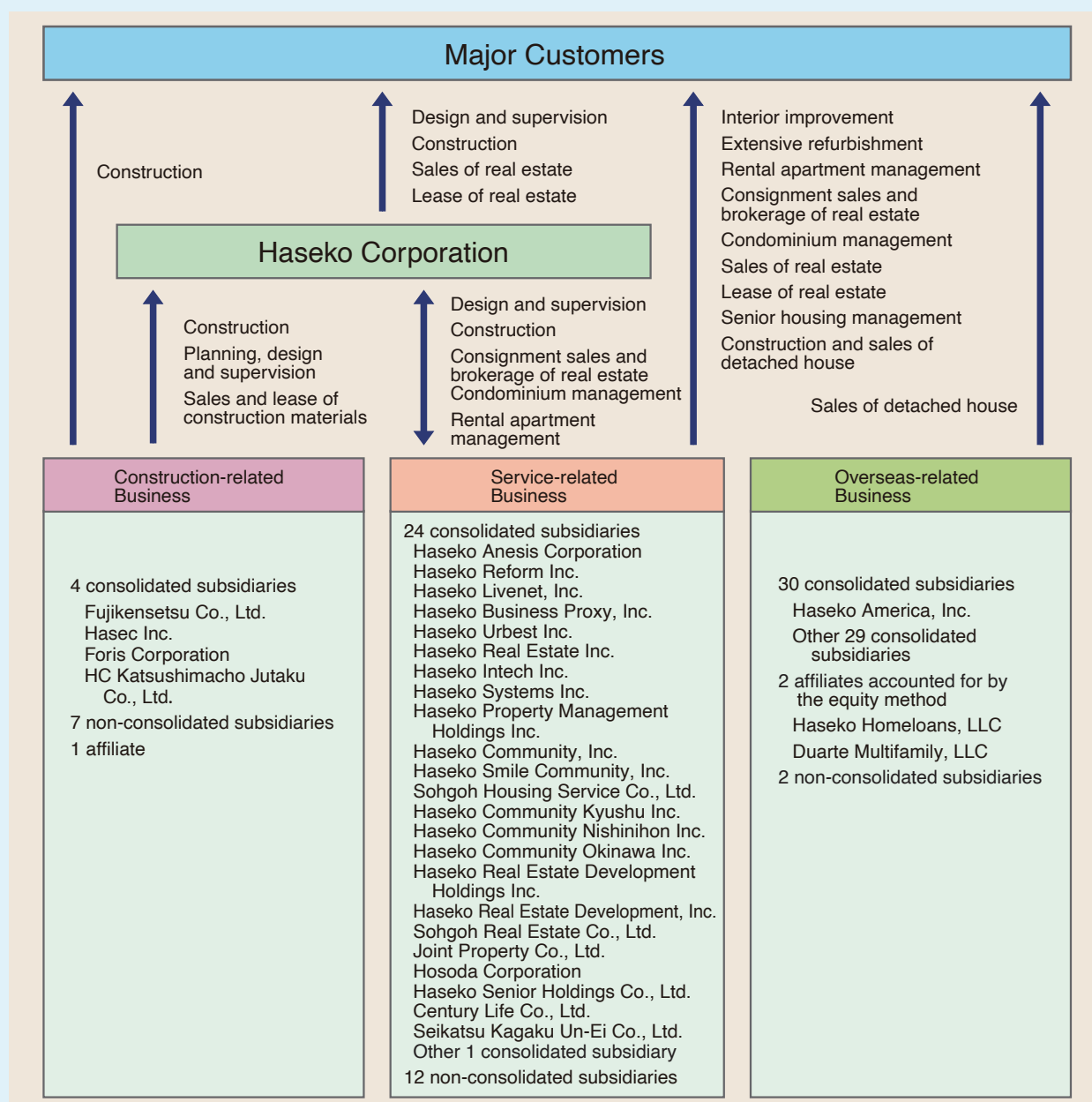
Assets of the Service-Related Business totaled 399.4 billion yen as of the end of the fiscal year under review, up 17.5 billion yen from the end of the previous fiscal year, due to such factors as Hosoda Corporation becoming a new consolidated subsidiary as well as

increase in costs and advances for real estate operations in accordance with the acquisition of land for for-sale condominiums.

Overseas-Related Business

Assets of the Overseas-Related Business increased 7.4 billion yen

Business schematic of Haseko group's reportable segments



from the end of the previous fiscal year to 40.1 billion yen as of the end of the fiscal year under review due to equity investment in affiliates, among other factors, despite a decrease in cash and bank deposits in accordance with the repayment of debt.

(4) Cash Flows

Net cash used in operating activities in the fiscal year ended March 2020 was 15.3 billion yen, a decrease of 48.3 billion yen in income compared with the net cash provided by operating activities totaling 33.1 billion yen in the previous fiscal year. Major factors included a decrease of 56.0 billion yen in cash in accordance with an increase in inventories (in contrast to a decrease of 23.7 billion yen in cash for the previous fiscal year).

Net cash used in investing activities in the fiscal year under review was 37.2 billion yen, a decrease of 22.7 billion yen in income compared with the net cash used in investing activities totaling 14.5 billion yen in the previous fiscal year. Major factors included income of 20.4 billion yen from business transfer recorded in the fiscal year ended March 2019 in contrast to no such income recorded in the fiscal year under review.

Net cash used in financing activities was 8.4 billion yen, an increase of 4.0 billion yen in income compared with the net cash used in financing activities totaling 12.4 billion yen in the previous fiscal year. Major factors included an increase of 26.6 billion yen in cash as a result of newly borrowing debt and newly issuing corporate bonds while conducting repayment of debt and redemption of corporate bonds (in contrast to an increase of 3.8 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 2020 totaled 151.8 billion yen, a decrease of 61.2 billion yen from 213.0 billion yen at the end of the previous fiscal year.

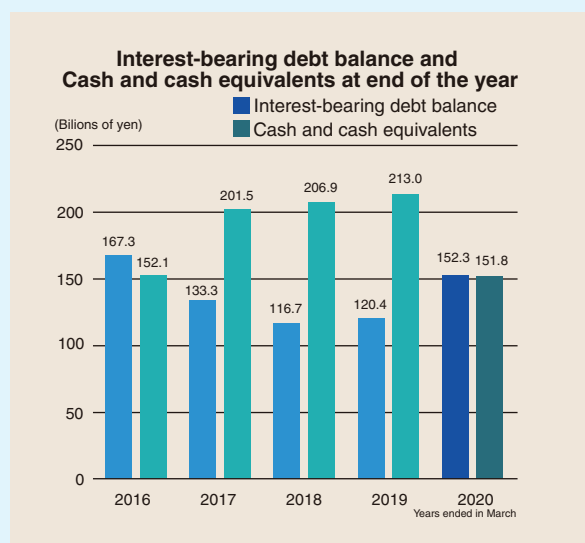
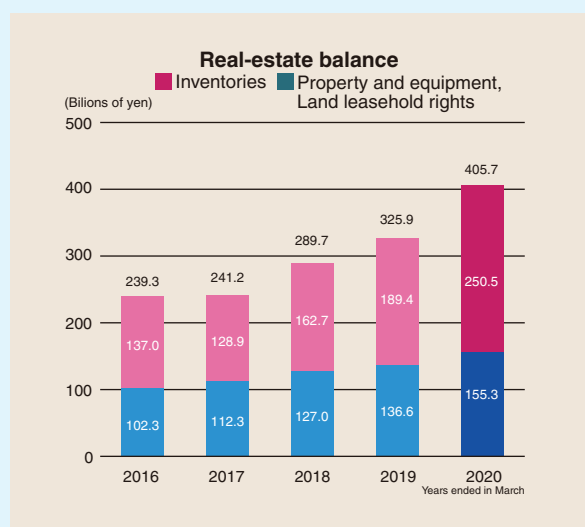
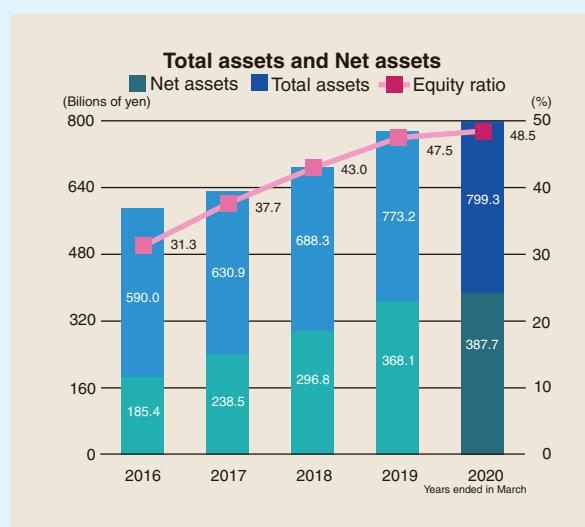
Cash flows from operating activities decreased significantly year on year. The decrease is mainly due to increase in inventories and payment of income taxes.

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

The Haseko Group's demand for funds included such purposes as acquisition of real estate on a short-term basis mainly for the purpose of construction orders, purchase of for-sale real estate, and investments in rental properties and the overseas business. Profits from business activities and funds procured from debt and issuance of corporate bonds were used for these purposes.

In the fiscal year under review, the Company repaid debt totaling 23.4 billion yen (including 5.3 billion in debt of newly consolidated HOSODA CORPORATION) upon maturity, and redeemed 10 billion yen in corporate bonds. As the Company procured 10 billion yen in straight bonds as well as 50 billion yen in long-term debt, however, the balance of debt including corporate bonds increased by 31.9 billion yen to 152.3 billion yen.

In addition, the Company has concluded a commitment line agreement of 63 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.



Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

AS OF MARCH 31, 2019 AND 2020

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2020	2020
ASSETS			
Current Assets:			
Cash and bank deposits (Notes 5, 10 and 15)	¥212,423	¥152,531	\$1,401,555
Notes and accounts receivable, trade (Notes 5 and 10)	139,312	141,415	1,299,414
Marketable securities (Notes 5, 6 and 10)	2,751	3,260	29,956
Costs on uncompleted construction contracts	10,702	11,046	101,497
Inventories (Notes 7 and 13)	189,374	250,453	2,301,321
Other current assets (Note 10)	13,914	13,756	126,403
Allowance for doubtful accounts (Note 5)	(173)	(128)	(1,177)
Total current assets	568,303	572,334	5,258,969
Property and Equipment (Notes 8 and 10)	134,675	153,391	1,409,451
Intangible Assets (Note 8)	7,468	8,292	76,196
Investments and Other Assets:			
Investment securities (Notes 5 and 6)	25,316	28,106	258,259
Long-term loans receivable (Note 5)	3,084	2,936	26,977
Net defined benefit asset (Note 17)	12,613	13,766	126,487
Deferred tax assets (Note 18)	9,345	7,478	68,710
Other assets	13,180	13,780	126,618
Allowance for doubtful accounts (Note 5)	(765)	(763)	(7,011)
Total investments and other assets	62,773	65,303	600,041
Total assets	¥773,219	¥799,319	\$7,344,658

See notes to consolidated financial statements.

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2019 AND 2020 LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2020	2020
LIABILITIES			
Current Liabilities:			
Current portion of long-term debt (Notes 5 and 9)	¥ 17,762	¥ 4,171	\$ 38,323
Current portion of bonds (Notes 5 and 9)	10,000	10,000	91,886
Notes and accounts payable (Note 5)	86,331	83,619	768,349
Electronically recorded obligations (Note 5)	52,449	54,570	501,422
Income taxes payable (Notes 5 and 18)	21,059	3,359	30,868
Advances received on uncompleted construction contracts	17,968	18,725	172,055
Advances received for real estate sales	10,300	14,246	130,901
Warranty	6,048	4,195	38,550
Allowance for losses on construction contracts	464	47	429
Accrued bonuses for employees	5,728	4,756	43,705
Accrued bonuses for director	174	146	1,343
Other current liabilities	59,034	49,511	454,940
Total current liabilities	287,317	247,346	2,272,773
Long-term Liabilities:			
Straight bonds (Notes 5 and 9)	20,000	20,000	183,773
Long-term debt (Notes 5, 9, 10 and 16)	72,642	118,091	1,085,100
Liability for retirement benefits (Note 17)	1,064	1,375	12,631
Provision for loss on litigation	2,533	2,474	22,729
Provision for employee stock ownership plan (Note 3)	1,538	2,144	19,704
Provision for board benefit trust (Note 3)	249	324	2,977
Deferred tax liabilities (Note 18)	12	21	191
Other long-term liabilities	19,813	19,862	182,507
Total long-term liabilities	117,851	164,291	1,509,611
Total liabilities	405,168	411,637	3,782,384
Commitments and Contingent Liabilities (Notes 11 and 12)			
NET ASSETS (Notes 14 and 19)			
Shareholders' Equity:			
Capital stock	57,500	57,500	528,347
Capital surplus	7,513	7,623	70,048
Retained earnings	313,241	346,039	3,179,628
Treasury stock, at cost — 3,410,903 shares in 2019 — 7,879,065 shares in 2020	(4,609)	(9,975)	(91,659)
Total shareholders' equity	373,645	401,187	3,686,364
Accumulated Other Comprehensive Income:			
Net unrealized gain (loss) on other securities	5,055	(526)	(4,838)
Translation adjustments	(4,769)	(5,331)	(48,987)
Retirement benefits liability adjustments	(6,920)	(7,653)	(70,317)
Total accumulated other comprehensive income (loss)	(6,634)	(13,510)	(124,143)
Non-controlling Interests			
Total net assets	368,051	387,682	3,562,274
Total liabilities and net assets	¥773,219	¥799,319	\$7,344,658

See notes to consolidated financial statements.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED MARCH 31, 2019 AND 2020

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2020	2020
Net Sales (Note 13)	¥890,981	¥846,029	\$7,773,863
Cost of Sales (Note 13)	733,130	699,268	6,425,321
Gross profit	157,851	146,762	1,348,541
Selling, General and Administrative Expenses (Note 13)	59,421	60,837	559,012
Operating Income	98,430	85,925	789,530
Non-operating Income (Expenses):			
Interest and dividend income	2,837	559	5,132
Equity in earnings of affiliates	9	1	13
Dividend income of insurance	166	237	2,179
Interest expense	(884)	(901)	(8,283)
Incidental expense for loan	(640)	(1,148)	(10,552)
Other, net	451	581	5,341
	1,939	(671)	(6,170)
Ordinary income	100,369	85,253	783,360
Special Income (Losses):			
Gain (loss) on disposal or sales of property and equipment, net (Note 8)	69	4	41
Gain on business transfer	21,349	—	—
Gain on negative goodwill	—	2,227	20,465
Impairment loss on fixed assets	(652)	(121)	(1,116)
Impairment loss on investment securities	(366)	(352)	(3,235)
Other, net	472	144	1,322
	20,872	1,902	17,477
Income before Income Taxes	121,241	87,155	800,836
Income Taxes (Note 18):			
Current	35,950	23,578	216,645
Deferred	(2,311)	3,662	33,645
	33,639	27,239	250,290
Net Income	87,602	59,916	550,546
Net Income Attributable to Non-controlling Interests	211	65	600
Net Income Attributable to Owners of Parent (Note 19)	¥ 87,391	¥ 59,851	\$ 549,946

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED MARCH 31, 2019 AND 2020

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2020	2020
Net Income	¥87,602	¥59,916	\$550,546
Other Comprehensive Income			
Net unrealized gain (loss) on other securities	775	(5,581)	(51,282)
Translation adjustments	(625)	(562)	(5,165)
Retirement benefits liability adjustments	(1,538)	(733)	(6,736)
Total other comprehensive income (loss)	(1,388)	(6,876)	(63,184)
Comprehensive Income (Note 22)	86,214	53,040	487,362
Total Comprehensive Income Attributable to:			
Comprehensive income attributable to owners of parent	86,003	52,974	486,762
Comprehensive income attributable to non-controlling interests	211	65	600

See notes to consolidated financial statements.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEARS ENDED MARCH 31, 2019 AND 2020

For the year ended March 31, 2019

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	<i>(Millions of yen)</i>				
Balance at April 1, 2018	¥57,500	¥7,513	¥240,880	¥(4,648)	¥301,245
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
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
Balance at March 31, 2019	¥57,500	¥7,513	¥313,241	¥(4,609)	¥373,645

	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
	<i>(Millions of yen)</i>					
Balance at April 1, 2018	¥4,279	¥(4,144)	¥(5,381)	¥(5,246)	¥ 836	¥296,835
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
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
Balance at March 31, 2019	¥5,055	¥(4,769)	¥(6,920)	¥(6,634)	¥1,040	¥368,051

See notes to consolidated financial statements.

Consolidated Financial Statements

For the year ended March 31, 2020

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	<i>(Millions of yen)</i>				
Balance at April 1, 2019	¥57,500	¥7,513	¥313,241	¥(4,609)	¥373,645
Net income attributable to owners of parent for the year ended March 31, 2020	–	–	59,851	–	59,851
Cash dividend	–	–	(27,053)	–	(27,053)
Purchase of treasury stock	–	–	–	(5,448)	(5,448)
Disposal of treasury stock	–	0	–	82	82
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	111	–	–	111
Net changes in items other than those in shareholders' equity	–	–	–	–	–
Total changes during the year	–	111	32,798	(5,366)	27,542
Balance at March 31, 2020	¥57,500	¥7,623	¥346,039	¥(9,975)	¥401,187

	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
	<i>(Millions of yen)</i>					
Balance at April 1, 2019	¥5,055	¥(4,769)	¥(6,920)	¥ (6,634)	¥1,040	¥368,051
Net income attributable to owners of parent for the year ended March 31, 2020	–	–	–	–	–	59,851
Cash dividend	–	–	–	–	–	(27,053)
Purchase of treasury stock	–	–	–	–	–	(5,448)
Disposal of treasury stock	–	–	–	–	–	82
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	–	–	–	111
Net changes in items other than those in shareholders' equity	(5,581)	(562)	(733)	(6,876)	(1,035)	(7,911)
Total changes during the year	(5,581)	(562)	(733)	(6,876)	(1,035)	19,631
Balance at March 31, 2020	¥(526)	¥(5,331)	¥(7,653)	¥(13,510)	¥ 6	¥387,682

See notes to consolidated financial statements.

Consolidated Financial Statements

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	<i>(Thousands of U.S. dollars) (Note 4)</i>				
Balance at April 1, 2019	\$528,347	\$69,031	\$2,878,266	\$(42,353)	\$3,433,291
Net income attributable to owners of parent for the year ended March 31, 2020	–	–	549,946	–	549,946
Cash dividend	–	–	(248,584)	–	(248,584)
Purchase of treasury stock	–	–	–	(50,056)	(50,056)
Disposal of treasury stock	–	1	–	751	751
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	1,016	–	–	1,016
Net changes in items other than those in shareholders' equity	–	–	–	–	–
Total changes during the year	–	1,017	301,362	(49,306)	253,074
Balance at March 31, 2020	\$528,347	\$70,048	\$3,179,628	\$(91,659)	\$3,686,364

	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
	<i>(Thousands of U.S. dollars) (Note 4)</i>					
Balance at April 1, 2019	\$46,444	\$(43,822)	\$(63,581)	\$ (60,959)	\$9,559	\$3,381,891
Net income attributable to owners of parent for the year ended March 31, 2020	–	–	–	–	–	549,946
Cash dividend	–	–	–	–	–	(248,584)
Purchase of treasury stock	–	–	–	–	–	(50,056)
Disposal of treasury stock	–	–	–	–	–	751
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	–	–	–	1,016
Net changes in items other than those in shareholders' equity	(51,282)	(5,165)	(6,736)	(63,184)	(9,507)	(72,691)
Total changes during the year	(51,282)	(5,165)	(6,736)	(63,184)	(9,507)	180,383
Balance at March 31, 2020	\$(4,838)	\$(48,987)	\$(70,317)	\$(124,143)	\$ 52	\$3,562,274

See notes to consolidated financial statements.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED MARCH 31, 2019 AND 2020

	Millions of yen	Thousands of U.S. dollars (Note 4)
	2019	2020
Cash Flows from Operating Activities:		
Income before income taxes	¥121,241	¥87,155
Depreciation	4,582	4,752
Impairment loss on fixed assets	652	121
Increase (decrease) in provision for loss on litigation	(107)	(42)
Amortization of goodwill	2,267	203
Gain on negative goodwill	–	(2,227)
(Reversal of) provision of allowance for doubtful accounts	(54)	(47)
Interest and dividend income	(2,837)	(559)
Interest expense	884	901
Equity in earnings of affiliates	(9)	(1)
Gain on sale of investment securities	(493)	(139)
Impairment loss on investment securities	366	352
Gain on transfer of business	(21,349)	–
Gain on disposal or sale of property and equipment, net	(69)	(4)
Valuation loss on inventories	64	3,684
Changes in operating assets and liabilities		
Notes and accounts receivable	(28,725)	(1,262)
Costs on uncompleted construction contracts	(1,494)	(282)
Inventories	(23,683)	(56,030)
Notes, accounts payable and accrued expenses	2,817	(1,248)
Amounts received for uncompleted construction contracts	(2,952)	629
Deposits	11,623	(3,986)
Other	4,797	(6,047)
Subtotal	67,521	25,923
Interest and dividends received	2,851	554
Interest paid	(840)	(946)
Income taxes paid	(36,468)	(40,794)
Net Cash (Used for) Provided by Operating Activities	33,064	(15,263)
Cash Flows from Investing Activities:		
Payment for purchase of securities	(1,434)	(7,064)
Proceeds from redemption of securities	3,738	5,768
Purchases of property and equipment and intangible assets	(30,103)	(25,061)
Proceeds from sales of property and equipment and intangible assets	449	100
Payment for purchase of investment securities	(6,563)	(10,311)
Proceeds from sale of investment securities	593	334
Payment for acquisition of shares of subsidiaries resulting in change in scope of consolidation	–	(963)
Proceeds from transfer of business (Note 15)	20,401	–
Payments for acquisition of business	(1,619)	–
Payment for loans receivable	(3,732)	(4,341)
Collection of loans receivable	3,476	4,498
Payment for lease deposits	(766)	(740)
Collection of lease deposits	677	678
Other	410	(121)
Net Cash Used for Investing Activities	(14,473)	(37,222)
Cash Flows from Financing Activities:		
Decrease in short-term borrowings, net	(10,000)	(1,805)
Increase in long-term debt	30,300	50,000
Repayment of long-term debt	(26,471)	(21,635)
Bonds issuance	10,000	10,000
Redemption of bonds	–	(10,000)
Purchase of treasury stock	(5)	(5,448)
Incidental expenses for loan	(631)	(1,161)
Cash dividends paid	(15,030)	(27,053)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(989)
Cash dividends paid to non-controlling shareholders	(6)	–
Other	(536)	(264)
Net Cash Used for Financing Activities	(12,379)	(8,356)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(98)	(385)
Net Increase (Decrease) in Cash and Cash Equivalents	6,114	(61,226)
Cash and Cash Equivalents at Beginning of the Year	206,866	212,980
Increase in Cash and Cash Equivalents Resulting from Merger of Unconsolidated Subsidiaries	–	–
Cash and Cash Equivalents at End of the Year (Note 15)	¥212,980	151,754
		\$800,836
		43,667
		1,116
		(387)
		1,867
		(20,465)
		(436)
		(5,132)
		8,283
		(13)
		(1,276)
		3,235
		–
		(41)
		33,850
		(11,595)
		(2,589)
		(514,836)
		(11,470)
		5,779
		(36,628)
		(55,568)
		238,198
		5,087
		(8,693)
		(374,842)
		(140,250)
		(64,904)
		52,997
		(230,275)
		921
		(94,744)
		3,073
		(8,852)
		–
		–
		(39,884)
		41,334
		(6,802)
		6,231
		(1,113)
		(342,019)
		(16,583)
		459,432
		(198,800)
		91,886
		(91,886)
		(50,056)
		(10,668)
		(248,584)
		(9,091)
		–
		(2,430)
		(76,780)
		(3,536)
		(562,585)
		1,957,001
		–
		1,394,416

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, 2019 and 2020

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, 2020, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 58 and 2 (63 and 1 in 2019), 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.

(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 using the same method as that applied to 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

Leased assets under finance leases that are deemed to have transferred ownership are depreciated using the same method as that applied to property and equipment.

Leased assets under finance leases that are not deemed to have transferred its ownership are depreciated over the lease period as useful period using the straight-line method with 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.

(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.

Consolidated Financial Statements

(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, 2020 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, 2020 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 (5-20 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) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

The Company transitioned to the group income and loss sharing regime established under the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and conducted a review of the non-consolidated taxation system. For the items subject to such transition or review, the Company has not applied the provisions of Paragraph (44) of "Implementation Guidance on Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) in accordance with the treatment under Paragraph (3) of the "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Income and Loss Sharing Regime" (ASBJ PITF No. 39, March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are calculated based on the provisions of the Income Tax Act prior to amendment.

(23) 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.

(24) Deferred assets

Issuance costs for straight bonds are charged to income.

(25) Accounting standards issued but not yet effective (Accounting Standard for Revenue Recognition, etc.)

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, issued on March 31, 2020)

(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 will be from the beginning of the fiscal year ended March 31, 2022

(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.

(Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections)

On March 31, 2020, the ASBJ issued the revised "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No.24)

(1) Overview

This accounting standard has been released to provide an outline of the applicable accounting principles and procedures in cases where directly relevant accounting standards are not available.

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(2) Planned date of application

The application date of the standard will be at the end of the fiscal year ended March 31, 2021.

(Accounting Standard for Disclosure of Accounting Estimates)

On March 31, 2020, the ASBJ issued the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No.31)

(1) Overview

This accounting standard has been released to provide guidance on disclosure of information that deepens the understanding of users of the financial statements about estimates that embody a risk of a significant impact on the financial statements of the following accounting period.

(2) Planned date of application

The application date of the standard will be at the end of the fiscal year ended March 31, 2021.

(Accounting Standard for Fair Value Measurement and Related Implementation Guidance)

ASBJ issued "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30), and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31), along with related updates to "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9), "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10), and "Implementation Guidance on Disclosures about Fair Value of Financial Instruments." (ASBJ Guidance No. 19).

(1) Overview

The ASBJ has developed an "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter collectively, the "Fair Value Measurement Standard"), which provide guidance for fair value measurement in order to improve comparability with internationally recognized accounting standards. The Fair Value Measurement Standard is applied with respect to the fair value of the following items;

- Financial instruments defined in "Accounting Standard for Financial Instruments"
- Inventories held for trading purposes defined in "Accounting Standard for Measurement of Inventories"

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" has been revised requiring disclosure of financial instruments classified by level in the fair value hierarchy.

(2) Planned date of application

The application date of the standard will be from the beginning of the fiscal year ended March 31, 2022

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

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

3. Supplemental Information (Changes in presentation)

(Notes to consolidated statement of income)

"Dividend income of insurance," which was included in "Other, net" in "Non-operating income (expenses)" for the fiscal year ended March 31, 2019, has been presented separately from the fiscal year ended March 31, 2020 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 reclassified.

As a result, ¥617 million presented as "Other, net" in "Non-operating income (expenses)" in the consolidated statement of income from the fiscal year ended March 31, 2019 has been reclassified as ¥166 in "Dividend income of insurance," and ¥451 million in "Other, net."

(Additional information)

The Company has introduced a Board Benefit Trust (the "BBT Scheme") for Directors (excluding Outside Directors), Executive Vice Presidents, Executive Operating Officers and Senior Operating Officers of the Company, and the presidents, etc. of its Group companies (the "Group Officers") and the Stock-Granting Employee Stock Ownership Plan (the "ESOP Scheme") for key employees of the Company and its Group companies (the "Group Key Employees").

1. BBT Scheme

(1) Outline of the transaction

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

(2) Accounting treatments for transactions of delivering the Company's own stock through trusts

The Company has continued to 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" (ASBJ Practical Issues Task Force No. 30 (revised 2015), March 26, 2015).

(3) Residual shares of the Company held by the BBT Trust

The shares of the Company held by the BBT Trust were appropriated as treasury stock in net assets.

The book value of said shares of treasury stock was ¥780 million and ¥736 million (\$6,765 thousand) as of March 31, 2019 and 2020, respectively, with the number of shares totaling 580,100 and 547,500 shares, respectively. The weighted average number of shares outstanding for the years ended March 31, 2019 and 2020 were 583,656 and 555,133 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" (ASBJ Practical Issues Task Force No. 30 (revised 2015), March 26, 2015).

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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 said shares of treasury stock was ¥3,665 million and ¥3,627 million (\$33,327 thousand) as of March 31, 2019 and 2020, respectively, with the number of shares totaling 2,629,700 and 2,602,700 shares, respectively. The weighted average number of shares outstanding for the years ended March 31, 2019 and 2020 were 2,631,283 and 2,604,774 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	
	2019	2020	2019	2020
Notes receivable	¥ 128	¥-	\$-	\$-
Notes payable	656	-	-	-
Electronically recorded obligations	2,207	-	-	-

(Impact of the spread of the novel coronavirus (COVID-19))

With regard to the impact of COVID-19, current conditions make it difficult to predict accurately how it will spread going forward and when it will end, among other factors. However, the Company has prepared accounting estimates for revenue recognition using the percentage-of-completion method, valuation of real estate for sale, and impairment losses on fixed assets, etc. for the fiscal year ended March 31, 2020 on the assumption that, although a decrease in the volume of handled real estate is anticipated for the first two quarters of the fiscal year ending March 31, 2021 together with the number of prospective buyers visiting model rooms for condominium sales and orders received for large-scale repair work will continue to drop to a certain extent, these situations will become normalized by the end of the next fiscal year (March 31, 2021).

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, 2020, which was ¥108.83=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.

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(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, 2019 and 2020, 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		
	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	-
Electronically recorded obligations	52,449	52,449	-
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	¥ -	¥ -	¥ -

	Millions of yen		
	2020		
	Carrying value	Fair value	Difference
Cash and bank deposits	¥152,531	¥152,531	¥ -
Notes and account receivable, trade	141,415	141,452	37
Securities	3,260	3,260	-
Investment securities	11,785	11,785	0
Long-term loans receivable	2,936		
Allowance for doubtful accounts	(25)		
Sub-total	2,911	3,027	116
Total	¥311,903	¥312,056	¥153
Notes and accounts payable	83,619	83,619	(0)
Electronically recorded obligations	54,570	54,570	-
Current portion of long-term debt	4,171	4,186	15
Current portion of bonds	10,000	10,007	7
Income taxes payable	3,359	3,359	-
Straight bonds	20,000	19,860	(140)
Long-term debt	118,091	118,441	350
Total	¥293,811	¥294,042	¥231
Derivatives	¥ -	¥ -	¥ -

Thousands of U.S. dollars

	2020		
	Carrying value	Fair value	Difference
Cash and bank deposits	\$1,401,555	\$1,401,555	\$ -
Notes and account receivable, trade	1,299,414	1,299,753	339
Securities	29,956	29,956	-
Investment securities	108,289	108,290	1
Long-term loans receivable	26,977		
Allowance for doubtful accounts	(229)		
Sub-total	26,748	27,818	1,070
Total	\$2,865,962	\$2,867,372	\$1,410
Notes and accounts payable	768,349	768,346	(3)
Electronically recorded obligations	501,422	501,422	-
Current portion of long-term debt	38,323	38,461	137
Current portion of bonds	91,886	91,948	61
Income taxes payable	30,868	30,868	-
Straight bonds	183,773	182,485	(1,288)
Long-term debt	1,085,100	1,088,316	3,216
Total	\$2,699,722	\$2,701,846	\$2,124
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 and 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.

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.

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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
	2019	2020	2020
Equity securities of affiliates	¥5,083	¥6,524	\$59,944
Unlisted securities	1,165	9,797	90,026
Others	2	-	-

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, 2019 and 2020

	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	¥212,423	¥ -	¥ -	¥ -	¥212,423
Notes and accounts receivable, trade	118,429	20,883	0	-	139,312
Securities:					
Negotiable certificate of deposits	2,751				2,751
Investment securities:					
Other securities with maturity dates					
Japanese government bonds, etc.	307	-	-	-	307
Long-term loans receivable	1,360	645	1,016	63	3,084
Total	¥335,270	¥21,528	¥1,016	¥63	¥357,877

	Millions of yen				
	2020				
	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	¥152,531	¥ -	¥ -	¥ -	¥152,531
Notes and accounts receivable, trade	120,415	20,901	82	16	141,415
Securities:					
Negotiable certificate of deposits	3,260				3,260
Investment securities:					
Other securities with maturity dates					
Japanese government bonds, etc.	-	5	-	-	5
Long-term loans receivable	1,311	1,381	131	113	2,936
Total	¥277,517	¥22,288	¥213	¥130	¥300,147

	Thousands of U.S. dollars				
	2020				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
Cash and bank deposits	\$1,401,555	\$ -	\$ -	\$ -	\$1,401,555
Notes and accounts receivable, trade	1,106,454	192,056	753	151	1,299,414
Securities:					
Negotiable certificate of deposits	29,956	-	-	-	29,956
Investment securities:					
Other securities with maturity dates					
Japanese government bonds, etc.	-	46	-	-	46
Long-term loans receivable	12,042	12,691	1,203	1,041	26,977
Total	\$2,550,007	\$204,793	\$1,956	\$1,191	\$2,757,948

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4) Repayment schedule for short-term borrowings, straight bonds, long-term debt, and lease obligations at March 31, 2019 and 2020

	<i>Millions of yen</i>			<i>Millions of yen</i>		
	2019			2020		
	Short-term borrowings	Straight bonds	Long-term debt	Short-term borrowings	Straight bonds	Long-term debt
Due within 1 year	¥-	¥10,000	¥17,762	-	¥10,000	¥ 4,171
Due after 1 year through 2 years	-	10,000	4,171	-	-	5,971
Due after 2 years through 3 years	-	-	5,971	-	-	32,121
Due after 3 years through 4 years	-	-	32,500	-	-	10,000
Due after 4 years through 5 years	-	-	-	-	-	-
Due after 5 years	-	10,000	30,000	-	20,000	70,000

	<i>Thousands of U.S. dollars</i>		
	2020		
	Short-term borrowings	Straight bonds	Long-term debt
Due within 1 year	-	\$ 91,886	\$ 38,323
Due after 1 year through 2 years	-	-	54,863
Due after 2 years through 3 years	-	-	295,146
Due after 3 years through 4 years	-	-	91,886
Due after 4 years through 5 years	-	-	-
Due after 5 years	-	183,773	643,205

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2020	2020
Investment securities	¥3,787	¥5,227	\$48,030
Other securities	1,296	1,297	11,914

6. Marketable Securities and Investment Securities

(1) Marketable securities classified as held-to-maturity debt securities as of March 31, 2019 and 2020 consisted of the following:

	<i>Millions of yen</i>					
	2019			2020		
	Carrying value	Fair Value	Unrealized gain (loss)	Carrying value	Fair Value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value	¥304	¥307	¥3	¥ 5	¥ 5	¥0
Securities whose fair value does not exceed their carrying value	2,751	2,751	-	3,260	3,260	-
Total	¥3,055	¥3,058	¥3	¥3,265	¥3,265	¥0

	<i>Thousands of U.S. dollars</i>		
	2020		
	Carrying value	Fair Value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value	\$ 45	\$ 46	\$1
Securities whose fair value does not exceed their carrying value	29,956	29,956	-
Total	\$30,001	\$30,002	\$1

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(2) Other securities whose fair value is available as of March 31, 2019 and 2020 consisted of the following:

	<i>Millions of yen</i>					
	2019			2020		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
(Securities whose carrying value exceeds their acquisition cost)						
Equity securities	¥17,277	¥10,373	¥6,904	¥ 1,604	¥ 226	¥ 1,378
Other	-	-	-	-	-	-
Sub-total	¥17,277	¥10,373	¥6,904	¥ 1,604	¥ 226	¥ 1,378
(Securities whose carrying value does not exceeds their acquisition cost)						
Equity securities	¥ 786	¥ 790	¥ (4)	¥ 9,484	¥10,941	¥(1,457)
Other	700	744	(44)	692	745	(52)
Sub-total	¥ 1,486	¥ 1,534	¥ (48)	¥10,177	¥11,686	¥(1,509)
Total	¥18,763	¥11,907	¥6,856	¥11,780	¥11,912	¥ (132)

	<i>Thousands of U.S. dollars</i>		
	2020		
	Carrying value	Acquisition cost	Unrealized gain (loss)
(Securities whose carrying value exceeds their acquisition cost)			
Equity securities	\$ 14,736	\$ 2,076	\$ 12,660
Other	-	-	-
Sub-total	\$ 14,736	\$ 2,076	\$ 12,660
(Securities whose carrying value does not exceeds their acquisition cost)			
Equity securities	\$ 87,149	\$100,535	\$(13,387)
Other	6,360	6,842	(482)
Sub-total	\$ 93,508	\$107,377	\$(13,869)
Total	\$108,244	\$109,453	\$ (1,209)

(3) Other securities sold for the years ended March 31, 2019 and 2020 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2020	2020
Equity securities:			
Proceeds from sales	¥593	¥334	\$3,073
Gain on sales	493	139	1,276
Loss on sales	-	-	-

4) Impairment of investment in securities

For the fiscal year ended March 31, 2019

The Company recorded impairment losses of ¥366 million on investment securities.

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

For the fiscal year ended March 31, 2020

The Company recorded impairment losses of ¥352 million (\$3,235 thousand) on investment securities.

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

cost, loss on impairment is recorded as deemed necessary in consideration of the possibility of their recoverability.

7. Inventories

Inventories as of March 31, 2019 and 2020 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2020	2020
Real estate for sale	¥ 87,231	¥124,881	\$1,147,485
Costs and advances for real estate operations	78,078	102,379	940,722
Real estate for development projects	24,065	23,193	213,114
	¥189,374	¥250,453	\$2,301,321

8. Property and Equipment and Intangible Assets

(1) Property and equipment as of March 31, 2019 and 2020 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2020	2020
Buildings and structures	¥ 68,437	¥ 74,821	\$ 687,507
Machinery, vehicles, equipment and furniture	8,965	9,593	88,147
Land	75,978	91,029	836,430
Leased assets	1,282	1,349	12,398
Construction in progress	2,625	3,144	28,892
Sub-total	157,287	179,937	1,653,373
Accumulated depreciation	(22,612)	(26,546)	(243,923)
	¥134,675	¥153,391	\$1,409,451

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(2) Intangible assets as of March 31, 2019 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Land leasehold rights	¥1,878	¥1,877	\$17,248
Goodwill	2,997	2,793	25,668
Other	2,593	3,622	33,281
	<u>¥7,468</u>	<u>¥8,292</u>	<u>\$76,196</u>

(3) Net gain (loss) on disposal or sales of property and equipment and intangible assets for the years ended March 31, 2019 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Buildings and structures	¥ (55)	¥(3)	\$ (25)
Machinery, vehicles, equipment and furniture	(18)	(3)	(26)
Land	146	13	116
Leased assets	(3)	(2)	(14)
Other	(1)	(1)	(10)
	<u>¥ 69</u>	<u>¥ 4</u>	<u>\$ 41</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, 2019 and 2020:

2019			
Use	Type	Location	Number of instances
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
2020			
Use	Type	Location	Number of instances
Asset for construction-related business	Equipment and furniture	Minato-ku, Tokyo	1
Real estate for service-related business	Land and buildings etc.	Izu-shi, Shizuoka, etc.	10
Asset for service-related business	Machinery, equipment and furniture etc.	Takatsu-ku, Kawasaki-shi, etc.	8

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.

(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 for the year ended March 31, 2019, which were presented as "Special Losses." on the consolidated statement of income.

(2020)

The lowered economic performance and the decision to dispose of the investment, etc., in the year ended March 31, 2020 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 ¥121 million (\$1,116 thousand) for the year ended March 31, 2020, 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
	2019	2020	2020
Buildings and structures	¥585	¥ 77	\$ 709
Equipment and furniture	55	29	266
Land	6	0	1
Land leasehold rights	—	—	—
Leased assets	4	8	72
Goodwill	—	—	—
Intangible assets	2	7	68
	<u>¥652</u>	<u>¥121</u>	<u>\$1,116</u>

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, 2019 and 2020 were ¥2,454 million and ¥2,088 million (\$19,190 thousand) and gains on sales (recorded as "Special Income") were ¥10 million and ¥24 million (\$219 thousand), respectively.

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.

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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
	2019	2020	2020
Book value:			
Balance at the beginning of the year	¥66,810	¥ 84,593	\$ 777,299
Increase/decrease	17,783	18,431	169,357
Balance at the end of the year	84,593	103,025	946,657
Fair value	¥92,378	¥113,633	\$1,044,129

Notes:

- The rental properties are recorded on the consolidated balance sheet at their acquisition costs net of accumulated depreciation and impairment losses.
- Of the amount of increase (decrease) for the year ended March 31, 2019, the increase is primarily attributable to acquisition of real estate (¥24,354 million) and to transfer to rental properties (¥6,909 million) and the decrease is primarily attributable to transfer to real estate for sale (¥12,358 million) and depreciation (¥841 million).
Of the amount of increase (decrease) for the year ended March 31, 2020, the increase is primarily attributable to acquisition of real estate (¥21,480 million, \$197,370 thousand) and to transfer to rental properties (¥712 million, \$6,538 thousand) and the decrease is primarily attributable to transfer to real estate for sale (¥2,419 million, \$22,228 thousand) and depreciation (¥922 million, \$8,472 thousand).
- 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, 2019 and 2020:

	Average interest rate	Millions of yen		Thousands of U.S. dollars
		2019	2020	2020
Short-term borrowings	-	¥ -	¥ -	\$ -
Current portion of long-term debt	0.80%	17,762	4,171	38,323
Current portion of lease obligations	1.89%	203	217	1,997
Straight bond due Nov. 5, 2019	0.44%	10,000	-	-
Straight bond due Jul. 22, 2020	0.41%	10,000	10,000	91,886
Straight bond due Nov. 1, 2028	0.52%	10,000	10,000	91,886
Straight bond due Jul. 19, 2029	0.35%	-	10,000	91,886
Long-term debt due from 2021 to 2034	0.71%	72,642	118,091	1,085,100
Lease obligations due from 2021 to 2030	1.79%	313	266	2,444
Total		¥120,920	¥152,746	\$1,403,524

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, 2020 were as follows:

Year ending March, 31	Millions of yen			Thousands of U.S. dollars	
	Straight bonds	Long-term debt	Lease obligations	Total	Total
2022	¥ -	¥ 5,971	¥142	¥ 6,113	\$ 56,169
2023	-	32,121	69	32,190	295,783
2024	-	10,000	42	10,042	92,268
2025	-	-	10	10	93
2026 and thereafter	20,000	70,000	3	90,003	827,004
Total	¥20,000	¥118,091	¥266	¥138,357	\$1,271,317

(3) The Company has committed lines of credit available for immediate and stable borrowings with certain five financial institutions as of March 31, 2019 and 2020. The lines of credit and unused lines of credit as of March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Line of credit	¥63,000	¥63,000	\$578,884
Amount utilized	-	-	-
Unused line of credit	¥63,000	¥63,000	\$578,884

(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, 2019 and 2020 based on this agreement was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Overdraft limit	¥1,300	¥1,300	\$11,945
Amount utilized	-	-	-
Amount unused	¥1,300	¥1,300	\$11,945

10. Collateral

(1) Assets provided as collateral as of March 31, 2019 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Cash and bank deposits	¥-	¥350	\$3,216

Secured liabilities as of March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Other current liabilities	¥-	¥350	\$3,216

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

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Notes and accounts receivable, trade	¥2,768	¥2,078	\$19,090
Buildings and structures	57	53	486
Other current assets	20	15	141
Total	¥2,845	¥2,146	\$19,716

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Secured liabilities as of March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Current portion of long-term debt	¥ 636	¥ 636	\$ 5,841
Long-term debt	1,907	1,271	11,683
	¥2,543	¥1,907	\$17,524

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

(2019)

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

(2020)

Shares of HC Katsushimacho Jutaku Co., Ltd. (¥9 million, \$83 thousand) owned by Haseko Corporation and Haseko Community, Inc.
Loans receivable (¥157 million, \$1,443 thousand) lent by Haseko Corporation to HC Katsushimacho Jutaku Co., Ltd.

11. Contingent Liabilities

The Company was contingently liable for guarantees on bank loans and other guarantees as of March 31, 2019 and 2020 as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Customers using housing loans and other loans to purchase real estate	¥36,953	¥38,480	\$353,581

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, 2019 and 2020 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Within one year	¥ 1,444	¥ 1,953	\$ 17,943
Over one year	12,589	13,291	122,125
Total	¥14,033	¥15,244	\$140,067

(As lessor)

Outstanding future minimum lease income under noncancelable operating leases as of March 31, 2019 and 2020 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Within one year	¥ 848	¥ 1,439	\$ 13,225
Over one year	11,660	15,724	144,485
Total	¥12,508	¥17,164	\$157,709

13. Supplementary Profit and Loss Information

(1) Sales from construction contracts calculated according to the percentage-of-completion method were ¥486,491 million and ¥476,863 million (\$4,381,724 thousand) for the years ended March 31, 2019 and 2020, respectively.

(2) Allowance for losses on construction contracts included in cost of sales for the years ended March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Construction contracts	¥418	¥ 1	\$ 9
Design and supervision	44	39	358

(3) Valuation losses on inventories included in cost of sales for the years ended March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Real estate	¥64	¥3,684	\$33,850

(4) Selling, general and administrative expenses for the years ended March 31, 2019 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Salaries and allowances	¥20,565	¥21,122	\$194,086
Provision for bonuses for employees	2,890	1,928	17,714
Provision for bonuses for directors	174	146	1,343
Provision for employee stock ownership plan	304	326	2,991
Provision for board benefit trust	100	110	1,009
Retirement benefit expenses	723	979	8,999
Rent	3,211	3,295	30,273
Depreciation	1,673	1,815	16,680
Amortization	2,267	203	1,867
Other	27,514	30,913	284,049
Total	¥59,421	¥60,837	\$559,012

(5) Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Research and development costs	¥1,850	¥3,034	\$27,875

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14. Net Assets

(1) Shares issued and treasury stock

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

	Number of shares			
	2018	Increase	Decrease	2019
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.

Changes in number of shares issued and treasury stock for the year ended March 31, 2020 were as follows:

	Number of shares			2020
	2019	Increase	Decrease	
Shares issued:				
Common stock	300,794,397	–	–	300,794,397
Treasury stock:				
Common stock (Notes 1 and 2)	3,410,903	4,528,022	59,860	7,879,065

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.

(2) Dividends

(a) Dividends paid

In the year ended March 31, 2019

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, 2018 (Note1)	Common stock	¥12,024	¥40.00	March 31, 2018	June 29, 2018
Board of Directors on November 9, 2018 (Note 2)	Common stock	¥ 3,006	¥10.00	September 30, 2018	December 6, 2018

Notes:

- The total amount of dividends includes ¥130 million as dividends to the Company's shares held by the BBT and the Stock-Granting ESOP as trust assets.
- 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.

In the year ended March 31, 2020

Resolution	Type of shares	Total amount of dividend		Dividend per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
Annual meeting of shareholders on June 27, 2019 (Note1)	Common stock	¥21,042	\$193,343	¥70.00	\$0.64	March 31, 2019	June 28, 2019
Board of Directors on November 8, 2019 (Note 2)	Common stock	¥ 6,012	\$ 55,241	¥20.00	\$0.18	September 30, 2019	December 5, 2019

Notes:

- The total amount of dividends includes ¥225 million (\$2,065 thousand) as dividends to the Company's shares held by the BBT and the Stock-Granting ESOP as trust assets.
- The total amount of dividends includes ¥63 million (\$579 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, 2020 and the effective date in the year ending March 31, 2021

Resolution	Type of shares	Total amount of dividend		Dividend per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
Annual meeting of shareholders on June 26, 2020 (Note)	Common stock	¥14,803	\$136,022	¥50.00	\$0.46	March 31, 2020	June 29, 2020

Note: The total amount of dividends includes ¥158 million (\$1,447 thousand) as dividends to the Company's shares held by the BBT and the Stock-Granting ESOP as trust assets.

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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, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Cash and bank deposits	¥212,423	¥152,531	\$1,401,555
Time deposits pledged as collateral	–	(350)	(3,216)
Saving accounts for insurance agency	(641)	(826)	(7,593)
Negotiable certificates of deposit, which were included in Securities	1,316	543	4,993
Restricted deposit	(118)	(144)	(1,322)
Cash and cash equivalents	¥212,980	¥151,754	\$1,394,416

(2) The major components of assets and liabilities transferred as a result of a business transfer during the year ended March 31, 2019 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
	2019
Current assets	¥ 804
Fixed assets	7,104
Current liabilities	(691)
Long-term liabilities	(7,217)
Gain on business transfer	21,349
Other	(144)
Cash and cash equivalents	(804)
Gain on transfer of business	20,401

16. Derivative Transactions

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

Hedge accounting method	Hedging instrument	Hedged item	As of March 31, 2019		
			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	¥61,010	¥57,795	(Note)
As of March 31, 2020					
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	¥67,795	¥64,580	(Note)
(Thousands of U.S. dollars)					
			\$622,944	\$593,403	

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, 2019 and 2020.

(3) Major breakdown of assets and liabilities of companies which newly became consolidated subsidiaries during the year ended March 31, 2020 through share acquisition:

A breakdown of assets and liabilities at the time of consolidation in line with the acquisition of shares of Hosoda Corporation and the reconciliation between the acquisition price of the company's shares and proceeds (net amount) due to acquisition of shares of subsidiaries resulting in change in the scope of consolidation are as follows:

	Millions of yen	Thousands of U.S. dollars
	2020	2020
Current assets	¥ 9,753	\$89,615
Fixed assets	1,915	17,593
Current liabilities	(6,778)	(62,282)
Long-term liabilities	(476)	(4,373)
Negative goodwill	(2,227)	(20,465)
Acquisition price of Hosoda Corporation shares	2,186	20,088
Cash and cash equivalents of Hosoda Corporation	(1,223)	(11,236)
Difference:		
Payment for acquisition of shares of subsidiaries resulting in change in the scope of consolidation	963	8,852

(4) The increase/decrease in short-term borrowings, net and repayment of long-term debt in the current fiscal year include Hosoda Corporation's repayments of the existing borrowings by using the loans made by the Company during the period between the acquisition date and the deemed acquisition date with regard to the Company's newly consolidating Hosoda Corporation. Such amounts were ¥1,805 million (\$16,583 thousand) for decrease in short-term borrowings, net, and ¥3,525 million (\$32,386 thousand) for repayment of long-term debt.

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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, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Balance at the beginning of the year	¥51,525	¥53,833	\$494,652
Service cost	2,821	2,917	26,803
Interest cost	100	104	958
Actuarial gain or loss	1,775	195	1,791
Retirement benefit paid	(2,405)	(1,975)	(18,151)
Other	17	882	8,106
Balance at the end of the year	¥53,833	¥55,956	\$514,159

(2) The changes in plan assets during the years ended March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Balance at the beginning of the year	¥60,310	¥65,382	\$600,776
Expected return on plan assets	1,474	1,600	14,698
Actuarial gain or loss	(849)	(1,638)	(15,054)
Contributions by the Company	6,445	3,911	35,934
Retirement benefits paid	(2,372)	(1,891)	(17,379)
Other	374	985	9,050
Balance at the end of the year	¥65,382	¥68,347	\$628,025

(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, 2019 and 2020.

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Funded retirement benefit obligation	¥ 52,881	¥ 54,913	\$ 504,579
Plan assets at fair value	(65,382)	(68,347)	(628,017)
	(12,501)	(13,434)	(123,439)
Unfunded retirement benefit obligation	952	1,043	9,583
Net liability for retirement benefits in the balance sheet	(11,549)	(12,391)	(113,856)
Liability for retirement benefits	1,064	1,375	12,631
Asset for retirement benefits	(12,613)	(13,766)	(126,487)
Net liability for retirement benefits in the balance sheet	¥(11,549)	¥(12,391)	\$(113,856)

(4) The components of retirement benefit expense for the years ended March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Service cost	¥ 2,519	¥ 2,733	\$ 25,111
Interest cost	100	104	958
Expected return on plan assets	(1,474)	(1,600)	(14,698)
Amortization of actuarial loss	790	1,104	10,140
Amortization of prior service cost	(383)	(354)	(3,256)
Retirement benefit expense	¥ 1,552	¥ 1,987	\$ 18,256

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, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Actuarial loss	¥ (383)	¥ (354)	\$(3,256)
Prior service cost	(1,835)	(730)	(6,706)
Total	¥(2,218)	¥(1,084)	\$(9,961)

(6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Unrecognized prior service cost	¥ (514)	¥ (160)	\$ (1,470)
Unrecognized actuarial loss	10,495	11,225	103,139
Total	¥ 9,981	¥11,065	\$101,669

(7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2019 and 2020 were as follows:

	2019	2020
Bonds	56%	62%
Stocks	19%	14%
Alternative investments (Note)	15%	16%
Life insurance general accounts, etc.	10%	8%
Total	100%	100%

Note: Alternative investments are mainly investments in hedge funds.

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

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

	2019	2020
Discount rates	0.2% - 0.4%	0.2% - 1.0%
Expected rates of return on plan assets	2.5%	1.0% - 2.5%

(9) Defined Contribution Plan

The required contributions to the defined contribution plans of consolidated subsidiaries for the years ended March 31, 2019 and 2020 were ¥13 million and ¥15 million (\$141 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, 2019 and 2020 were ¥17 million and ¥18 million (\$161 thousand), respectively.

The most recent funded status was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Pension assets	¥ 3,462	¥ 3,670	\$ 33,064
Total of the amount of actuarial obligations under pension funding program and minimum policy reserves	5,363	5,415	48,791
Difference	<u>¥(1,901)</u>	<u>¥(1,745)</u>	<u>\$(15,727)</u>

The U.S. dollar amounts are calculated by the prevailing exchange rate on March 31, 2019, which was ¥110.99=U.S.\$1.

The average contribution ratio to total contributions made to all plans for the year ended March 31, 2018 and 2019 were 5.35% and 5.61%, respectively. This ratio does not accord with the actual contribution ratio of the Company group.

The differences of ¥(1,901) million as described above was due to prior service cost under pension funding programs ¥(1,826) million and special reserve fund ¥(75) million for the year ended March 31, 2018.

The differences of ¥(1,745) million (\$15,727) thousand as described above was due to prior service cost under pension funding programs ¥(1,655) million (\$14,912) thousand and

special reserve fund ¥(90) million (\$815) thousand for the year ended March 31, 2019.

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

18. Income Taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Deferred tax assets:			
Allowance for doubtful accounts	¥ 225	¥ 617	\$ 5,673
Accrued business tax	1,211	741	6,810
Warranty	1,858	1,292	11,871
Accrued bonuses for employees	1,957	1,720	15,806
Liability for retirement benefits	346	448	4,114
Valuation loss on real estate for sale	4,515	5,311	48,804
Impairment loss on fixed assets	1,643	1,534	14,091
Valuation loss on investment securities	623	555	5,102
Revaluation of assets on consolidation	12,543	10,380	95,376
Consideration for business transfer	1,531	935	8,595
Provision for employee stock ownership plan	478	668	6,136
Tax loss carry forwards	5,745	4,414	40,561
Other	7,350	8,683	79,784
Sub-total	40,027	37,299	342,723
Valuation allowance pertaining to tax loss carry forwards	(5,221)	(3,988)	(36,649)
Valuation allowance pertaining to total deductible temporary difference	(19,010)	(19,914)	(182,986)
Valuation allowances (sub-total)	(24,231)	(23,903)	(219,635)
Total deferred tax assets	15,796	13,396	123,089
Deferred tax liabilities:			
Unrealized gain on other securities	(1,805)	(397)	(3,650)
Prepaid pension cost	(3,874)	(4,240)	(38,962)
Revaluation of assets on consolidation	(195)	(280)	(2,569)
Other	(589)	(1,022)	(9,389)
Total deferred tax liabilities	(6,463)	(5,939)	(54,569)
Net deferred tax assets	¥ 9,333	¥ 7,457	\$ 68,520

Notes:

1) Valuation loss on real estate for sale includes ¥44 million and ¥43 million (\$399 thousand) as of March 31, 2019 and 2020, respectively, for properties that were reclassified from "Current Assets" to "Property and Equipment" following a change in holding purpose.

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

As of March 31, 2019

	Millions of yen						Total
	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	
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)

(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 for tax loss carry forwards of ¥5,745 million (the amount multiplied by the statutory tax rate). The said deferred tax assets of ¥524 million represent the amount at which the Company recognized for part of the tax loss carry forwards totaling ¥5,745 million 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

for the fiscal year ended March 31, 2011, ¥1 million for the fiscal year ended March 31, 2012, ¥219 million for the fiscal year ended March 31, 2017, ¥159 million for the fiscal year ended March 31, 2018 and ¥142 million 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.

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As of March 31, 2020

<i>Millions of yen</i>							
	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)	¥ 1,101	¥ 312	¥ 196	¥ 81	¥ 161	¥ 2,564	¥ 4,414
Valuation allowance	(1,026)	(298)	(192)	(79)	(161)	(2,233)	(3,988)
Deferred tax assets	75	14	4	2	–	331	426 (b)
<i>Thousands of U.S. dollars</i>							
	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)	\$10,114	\$ 2,866	\$ 1,804	\$ 743	\$ 1,477	\$ 23,557	\$ 40,561
Valuation allowance	(9,425)	(2,738)	(1,762)	(730)	(1,477)	(20,515)	(36,649)
Deferred tax assets	689	128	41	12	–	3,042	3,912 (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 ¥426 million (\$3,912 thousand) for tax loss carry forwards of ¥4,414 million (\$40,561 thousand) (the amount multiplied by the statutory tax rate). The said deferred tax assets of ¥426 million (\$3,912 thousand) represent the amount at which the Company recognized for part of the tax loss carry forwards totaling ¥4,414 million (\$40,561 thousand) for Haseko Community Inc. and 13 other consolidated subsidiaries. The deferred tax assets recognized for the tax carry forwards resulted from losses of ¥75 million (\$689 thousand) for the fiscal year ended March 31, 2012, ¥14 million (\$128 thousand) for the fiscal year ended March 31, 2013, ¥5 million (\$41 thousand) for the fiscal year ended March 31, 2014, ¥1 million (\$12 thousand) for the fiscal year ended March 31, 2015, ¥124 million (\$1,139 thousand) for the fiscal year ended March 31, 2017, ¥130 million (\$1,198 thousand) for the fiscal year ended March 31, 2018, ¥48 million (\$441 thousand) for the fiscal year ended March 31, 2019 and ¥29 million (\$264 thousand) for the fiscal year ended March 31, 2020, respectively (the amount multiplied by the statutory tax rate for each), as calculated by Haseko Community Inc. and 8 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)
“Provision for employee stock ownership plan,” which had been included in “Other” as of March 31, 2019, has been presented separately as of March 31, 2020 due to an increase in its quantitative materiality.

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

As a result, ¥7,828 million that had been presented as “Other” in the previous fiscal year has been restated as ¥478 million for “Provision for employee stock ownership plan” and ¥7,350 million for “Other” for the current fiscal year.

- (2) The reconciliation of the statutory tax rate to the effective income tax rate for the years ended March 31, 2019 and 2020 were as follows:

	2019	2020
Statutory tax rate	30.6%	The note has been omitted
(Adjustment)		because the difference
Non-deductible expenses	0.6	between the
Permanent non-taxable items	(0.9)	statutory tax
Per capita inhabitant tax	0.1	rate and the
Change in valuation allowances	(7.9)	effective tax
Tax credit for salary growth	(0.5)	rate is less
Expiration of tax loss carry forwards	5.2	than 5% of
Consolidation goodwill	(0.0)	the statutory
Tax rate differences between the Company and consolidated subsidiaries	0.6	tax rate.
Other	(0.1)	
Effective income tax rate	<u>27.7%</u>	

19. Per Share Information

- (1) Per share information as of and for the years ended March 31, 2019 and 2020 were as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2019	2020	2020
Net assets per share	¥1,234.13	¥1,323.51	\$12.16
Net income per share			
Basic	293.87	201.36	1.85
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>
	2019	2020	2020
Net income	¥87,391	¥59,851	\$549,946
Net income not attributable to owners of parent	–	–	–
Net income attributable to owners of parent	¥87,391	¥59,851	\$549,946
Weighted average number of shares outstanding (thousands of shares)	297,380	297,225	

Note: Shares owned by the Board Benefit Trust (BBT) and the Stock-Granting ESOP held as trust assets are included in treasury stocks which is deducted in calculating basic profit attributable to owners of parent per share. The average numbers of shares outstanding during the years ended March 31, 2019 and 2020 were 3,414 thousand and 3,568 thousand, respectively, including 3,214 and 3,159 thousand of shares held by the BBT and the Stock-Granting ESOP as trust assets in 2019 and 2020.

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

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Net assets	¥368,051	¥387,682	\$3,562,274
Amount not attributable to common shareholders:			
Non-controlling interests	1,040	6	52
Net assets attributable to common shareholders	<u>¥367,011</u>	<u>¥387,677</u>	<u>\$3,562,221</u>
Number of common shares of the end of the period used in the calculation of the net assets per share (thousands of shares)	297,383	292,915	

Note: Shares owned by the Board Benefit Trust (BBT) and the Stock-Granting ESOP held as trust assets are included in treasury stocks which is deducted in calculating net assets per share. The numbers of the treasury stocks at March 31, 2019 and 2020 were 3,410 thousand and 7,879 thousand, respectively, including 3,209 and 3,150 thousand of shares held by the BBT and the Stock-Granting ESOP as trust assets in 2019 and 2020.

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.

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, 2019 and 2020 were as follows:

	Millions of yen						
	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	¥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 (loss)	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	
	Millions of yen						
	2020						
	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	¥595,646	¥249,946	¥ 437	¥846,029	¥ –	¥846,029	
Inter-segment sales and transfer	40,263	6,131	–	46,394	(46,394)	–	
Net sales	635,909	256,077	437	892,423	(46,394)	¥846,029	
Segment income (loss)	73,038	21,276	(3,777)	90,536	(4,612)	85,925	
Segment assets	¥293,590	¥399,357	¥40,083	¥733,030	¥ 66,289	799,319	
Other items							
Depreciation and amortization	¥ 1,317	¥ 3,267	¥ 11	¥ 4,594	¥ 158	¥ 4,752	
Investment in equity-method affiliates	–	–	1,413	1,413	–	1,413	
Capital expenditures	2,184	22,863	10	25,057	119	25,176	

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Thousands of U.S. dollars

2020						
Reportable segments						
Sales, income or loss and assets by reportable segments	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations (Note)	Consolidated
Sales to third parties	\$5,473,180	\$2,296,665	\$ 4,018	\$7,773,863	\$ –	\$7,773,863
Inter-segment sales and transfer	369,960	56,334	–	426,294	(426,294)	–
Net sales	5,843,141	2,352,999	4,018	8,200,157	(426,294)	7,773,863
Segment income (loss)	671,118	195,493	(34,707)	831,904	(42,374)	789,530
Segment assets	\$2,697,696	\$3,669,553	\$368,304	\$6,735,553	\$ 609,105	\$7,344,658
Other items						
Depreciation and amortization	\$ 12,098	\$ 30,021	\$ 97	\$ 42,216	\$ 1,451	\$ 43,667
Investment in equity-method affiliates	–	–	12,986	12,986	–	12,986
Capital expenditures	20,071	210,078	91	230,241	1,094	231,334

Notes:

1) Adjustments and eliminations are as follows:

(2019)

- (1) Adjustments and eliminations for segment income include ¥723 million of elimination of inter-segment transactions and ¥3,112 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 ¥8,318 million of elimination of receivables stemming from inter-segment transactions and ¥102,896 million of corporate assets. Corporate assets are primarily comprised of cash and bank deposits of the Company.

(2020)

- (1) Adjustments and eliminations for segment income include ¥563 million (\$5,176 thousand) of elimination of inter-segment transactions and ¥4,048 million (\$37,198 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 ¥9,000 million (\$82,695 thousand) of elimination of receivables stemming from inter-segment transactions and ¥75,289 million (\$691,800 thousand) of corporate assets. Corporate assets are primarily comprised of cash and bank deposits of the Company.
- (3) Since Hosoda Corporation is newly consolidated in the current fiscal year, segment assets in the service-related business increased by ¥11,668 (\$107,209 thousand) compared with the end of the previous fiscal year.

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, 2019 and 2020 were summarized as follows:

Millions of yen						
2019						
Reportable segments						
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Impairment loss on fixed assets	¥6	¥646	¥–	¥652	¥–	¥652

Millions of yen						
2020						
Reportable segments						
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Impairment loss on fixed assets	¥0	¥121	¥–	¥121	¥–	¥121

Thousands of U.S. dollars						
2020						
Reportable segments						
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Impairment loss on fixed assets	\$1	\$1,114	\$–	\$1,116	\$–	\$1,116

3. The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2019 and 2020 by reportable segment:

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

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<i>Millions of yen</i>						
2020						
Reportable segments						
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Amortization	¥-	¥ 203	¥-	¥ 203	¥-	¥ 203
Balance as of March 31	¥-	¥2,793	¥-	¥2,793	¥-	¥2,793

<i>Thousands of U.S. dollars</i>						
2020						
Reportable segments						
	Construction-related business	Service-related business	Overseas-related business	Total	Adjustments and eliminations	Consolidated
Amortization	\$-	\$ 1,867	\$-	\$ 1,867	\$-	\$ 1,867
Balance as of March 31	\$-	\$25,668	\$-	\$25,668	\$-	\$25,668

Hosoda Corporation is newly included in the scope of consolidation as a result of acquiring its shares during the year ended March 31, 2020. The resulting gain on the negative goodwill recorded in the current fiscal year was ¥2,227 million (\$20,465 thousand).

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, 2019 and 2020.

(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, 2019 and 2020.

6. Information by major customers

Information by major customers is omitted, as net sales to any one specific customer were less than 10% of net sales recorded in the consolidated statement of income for the years ended March 31, 2019 and 2020.

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, 2019 and 2020

and the amounts of these transactions for the years then ended are summarized as follows:

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

Not applicable.

Fiscal year ended March 31, 2020 (April 1, 2019 – March 31, 2020)

Type	Name of company or individual	Relationship with related party	Transaction	Transaction amount	Account	Balance at end of fiscal year
Director of a significant subsidiary	Shuhei Ooka, President and Representative	Purchase a condominium from a subsidiary of the Company	Purchase a condominium from a subsidiary of the Company	<i>(Millions of yen)</i> ¥23	-	-
	Director of Haseko Urbest	(Notes 1 and 2)	(Notes 1 and 2)	<i>(Thousands of U.S. dollars)</i> \$212		

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.

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22. Other Comprehensive Income

Reclassification adjustments and tax effects on components of other comprehensive income for the years ended March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Net unrealized gain (loss) on other securities:			
Amount arising during the year	¥ 777	¥(7,292)	\$(67,000)
Reclassification adjustments for gains (losses) recognized in net income	337	302	2,776
Amount before tax effect	1,113	(6,989)	(64,224)
Tax effect	(338)	1,408	12,942
Net unrealized gain (loss) on other securities	775	(5,581)	(51,282)
Translation adjustments:			
Amount arising during the year	(625)	(562)	(5,165)
Retirement benefits liability adjustments:			
Amount arising during the year	(2,624)	(1,833)	(16,845)
Reclassification adjustments for gains (losses) recognized in net income	407	749	6,884
Amount before tax effect	(2,217)	(1,084)	(9,961)
Tax effect	679	351	3,225
Retirement benefit liability adjustments	(1,538)	(733)	(6,736)
Share of other comprehensive income (loss) of affiliates accounted for by the equity method:			
Amount arising during the year	—	—	—
Total other comprehensive income (loss)	¥(1,388)	¥(6,876)	\$(63,184)

23. Business Combination, etc. (Business combination through acquisition)

1. Overview of the business combination

(1) Acquired company

1) Name:	Hosoda Corporation
2) Business description:	For-sale housing on its own, for-sale housing in coordination with corporations, custom construction for corporations, custom construction, remodeling, leasing and real estate brokerage

(2) Reason for the business combination

The Company has multifaceted businesses centering on the general construction business that conducts all operations including planning, design and construction mainly of condominiums.

On the other hand, Hosoda Corporation mainly engaged in the design, construction and sale of wooden detached houses and it has endeavored to supply high quality and long-cherished living spaces.

By consolidating Hosoda Corporation, the Company expects to expand the Haseko Group's "housing to create great living" business domains by effectively growing Hosoda's business by leveraging its business strengths and complementing any weaknesses.

(3) Schedule of business combination
February 12, 2020 (Share acquisition date)
March 31, 2020 (Deemed acquisition date)

(4) Legal form of business combination
Share acquisition for cash consideration

(5) Name of the company after combination
There is no change in the name.

(6) Acquired voting rights ratio
Voting rights ratio after acquisition was 100%.

(7) Basis for determining the acquirer
The Company acquired shares for a cash consideration.

2. Period for which operating results of the acquired company was included in the consolidated statements
As the deemed acquisition date is March 31, 2020 only the balance sheet was consolidated.

3. Acquisition cost of the acquired companies and its breakdown by type of consideration:

Acquisition cost ¥2,186 million (\$20,088 thousand)

Note: It was calculated by multiplying the number of shares to be purchased in the Tender Offer (16,817,160 shares) by the Tender Offer Price per share (¥130).

Detailed and amount of main expenses related to the acquisition
Advisory expenses, etc., ¥127 million (\$1,167 thousand)

4. Amount of assets acquired and liabilities assumed through the business combination and the major breakdown

	Millions of yen	Thousands of U.S. dollars
	2020	2020
Current assets	¥ 9,753	\$89,615
Fixed assets	1,915	17,593
Total assets	11,668	107,208
Current liabilities	(6,778)	(62,282)
Long-term liabilities	(476)	(4,373)
Total liabilities	(7,254)	(66,655)

5. Amount and cause of negative goodwill

(1) Amount and accrued negative goodwill
¥2,227 million (\$20,465 thousand)

(2) Cause

As the fair value of the net assets as of the date of business combination exceeded the acquisition costs, the difference was recorded as gain on negative goodwill.

6. Estimated amount of the effect on the consolidated statement of income for the current fiscal year assuming that the business combination was completed as of the beginning of the current fiscal year, and the calculated method.
Since the estimated amount of the effect on the consolidated statement of income for the current fiscal year is immaterial, details are omitted. This pro forma information was unaudited.



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Independent Auditor's Report

The Board of Directors
HASEKO Corporation

Opinion

We have audited the accompanying consolidated financial statements of HASEKO Corporation and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

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

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

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

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



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

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

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

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

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

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Consolidated Financial Statements



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


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

Convenience Translation


The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 26, 2020

鈴木裕司 

Yuji Suzuki
Designated Engagement Partner
Certified Public Accountant

吉田靖史 

Seishi Yoshida
Designated Engagement Partner
Certified Public Accountant

History

Dec. 1974

Completed construction of headquarters building, "Akasaka Long Beach Bldg.," in Akasaka, Minato-ku Tokyo and transferred headquarters there

Dec. 1973

Achieved number one of accumulated condominium construction in Japan (35,000 units)

Dec. 1970

Transferred headquarters to Hasegawa Building No. 8 in Dogenzaka, Shibuya-ku, Tokyo

Jul. 1970

Completed construction of "Nissho Iwai Shiroganedai Condominium," the first condominium Haseko constructed in Tokyo Metropolitan Area

Feb. 1969

Completed construction of "Ashiya Matsuhama Heights," the first condominium Haseko constructed

Apr. 1965

Listed on the 1st Sections of Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange

Aug. 1953

Transferred headquarters to Osaka

Feb. 1951

Opened Tokyo branch Office

Aug. 1946

Incorporated Hasegawa Komuten Co., Ltd., headquartered in Himeji-shi, Hyogo

Feb. 1937

Established Hasegawa Komuten in Amagasaki-shi, Hyogo



1969 Ashiya Matsuhama Heights

● The first condominium constructed by Haseko

Note: The year number of photograph caption is a completion year.

Mar. 1999

Finished "Hills Kugahara," a large-scale replacement project

Mar. Jul. 1997

Obtained ISO 9001 certification, an international standard for quality control and quality assurance system, in Tokyo and Kansai area *First such certification for a Japanese company in the design and construction of multi-family dwellings" category

Oct. 1992

Completed construction of "Acro City Towers," a 32-storied skyscraper condominium

Jan. 1989

Completed "Century City Omiya Koen," a condominium with services for elder people

Oct. 1988

Changed corporate name to HASEKO Corporation

Jan. 1981

Completed construction of "Shiba Head Office Building" in Shiba, Minato-ku, Tokyo and transferred headquarters there



1977 Palais Royal Nagatacho

● High-grade condominium

Nov. 2005

Completed the "Shirokane Urban Renewal Project" in Shirokane, Minato-ku, Tokyo, that harmonized living, commercial and industrial settings

Sep. 2003

Completed the "Urayasu AMC Project," an advanced multi-purpose urban development project

Apr. 2003

Established "Haseko Anesis Corporation," a service-related new subsidiary

Mar. 2003

Started operation of "Century City Kita Urawa," a paid care house for elderly people

Jul. Oct. 2001

Obtained ISO 14001 certification, a international standard for environmental management, in Kansai and Tokyo area



1984 Palais Royal Ashiya-Midorigaoka

● The first rebuilt condominium



1992 Acrocity Towers

● The first ultra-skyscraper condominium

History

Jul. 2012

Established "Haseko Real Estate Inc.," a comprehensive real estate brokerage subsidiary

Jun. 2011

Achieved construction of a cumulative total of 500,000 condominium units

Jun. 2009

Obtained certification as "long-life, high-quality housing" for the two projects of "BRANCHERA Urawa" and "BRANCHERA Suitakatayama-koen" -the first such certification in Japan for for-sale condominiums

Mar. 2009

Completed construction of "The Kitahama," a 54-storied condominium with 465 units built on the former site of a department store in Kitahama, Osaka

Mar. 2006

Completed "Obel Grandio Haginaka," Japan's first rebuilding of a condominium applying the Revised Condominium Unit Ownership Act

Dec. 2015

Joint Corporation became a subsidiary by share acquisition (the present consolidated subsidiary), Main businesses are for-sale real estate business and real estate management business

May 2015

Sohgoh Real Estate Co., Ltd. became a subsidiary by share acquisition (the present consolidated subsidiary), Main businesses are for-sale real estate business, real estate solutions and condominium management businesses

Nov. 2013

Seikatsu Kagaku Un-Ei Co., Ltd. became a subsidiary by share acquisition (the present consolidated subsidiary), Main businesses are operation and other services for paid facilities for the elderly

Mar. 2013

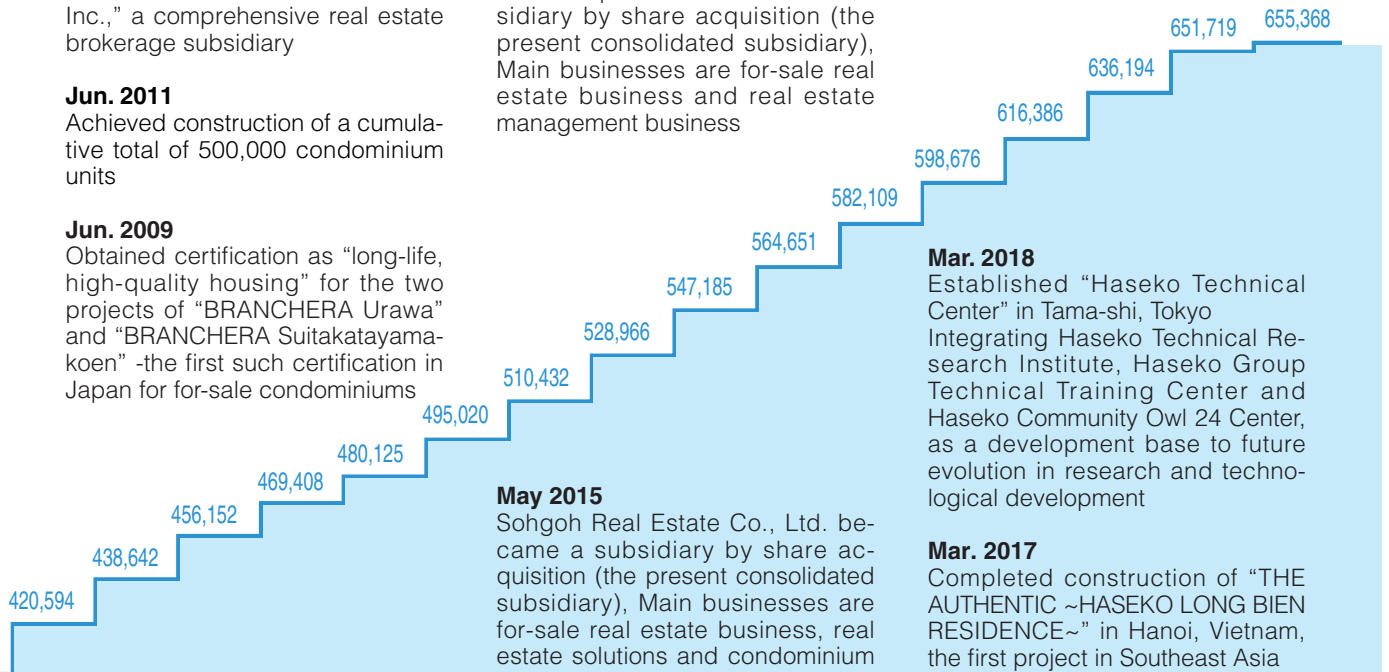
Season Suite Shiki-no-Mori certified as a low carbon building (the first acquisition of such certification among for-sale condominiums)

Mar. 2018

Established "Haseko Technical Center" in Tama-shi, Tokyo Integrating Haseko Technical Research Institute, Haseko Group Technical Training Center and Haseko Community Owl 24 Center, as a development base to future evolution in research and technological development

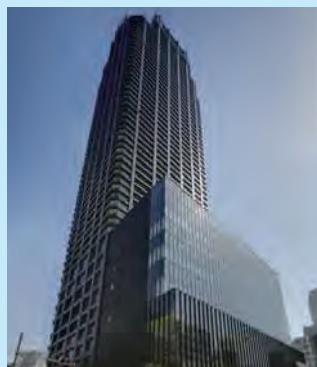
Mar. 2017

Completed construction of "THE AUTHENTIC ~HASEKO LONG BIEN RESIDENCE~" in Hanoi, Vietnam, the first project in Southeast Asia



2004 Fukasawa House

● The first introduction of disaster prevention sets



2009 The Kitahama

● 54-storied ultra-skyscraper condominium



2011 BRANCHERA Suitakatayama-koen

● Long-life, high-quality housing



2011 BRANCHERA Urawa

● Long-life, high-quality housing

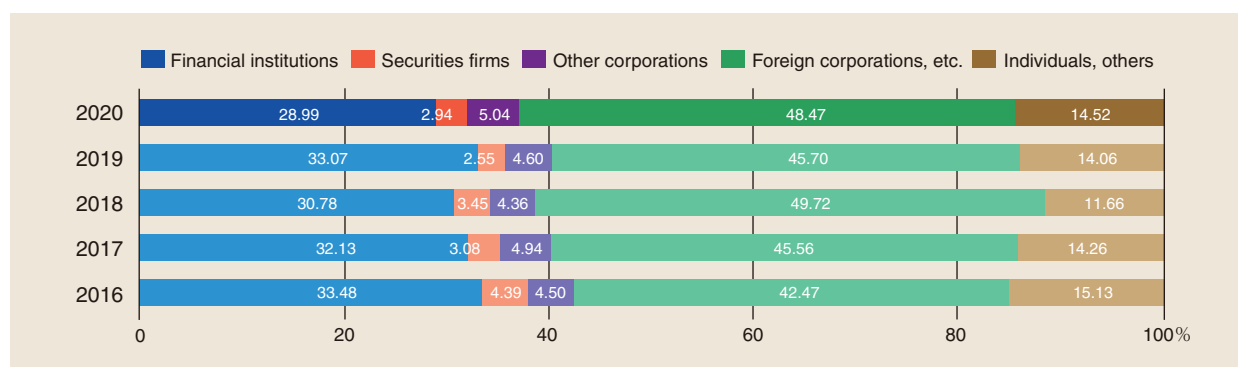
~2005 ~2006 ~2007 ~2008 ~2009 ~2010 ~2011 ~2012 ~2013 ~2014 ~2015 ~2016 ~2017 ~2018 ~2019 June 2020

Share overview (As of March 31, 2020)

Total shares authorized to issue:	420 million shares
Outstanding shares:	300 million shares
Shareholders:	40,540 parties

Note 1. Shares of less than million shares have been cut off prior to being displayed.
2. Common stocks do not include fractional shares of less than the share unit.

Composition of shareholders (As of March 31, 2020)



Principal shareholders (As of March 31, 2020)

Shareholder	Shares (1,000 shares)	Voting rights (%)
Ichigo Trust Pte.Ltd.	52,532	17.76
The Master Trust Bank of Japan, Ltd. (Trust account)	23,051	7.79
Japan Trustee Services Bank, Ltd. (Trust account)	16,364	5.53
Resona Bank, Limited	12,609	4.26
Sumitomo Realty & Development Co., Ltd.	7,152	2.41
Haseko Group Employee Shareholders Association	6,776	2.29
Mizuho Bank, Ltd.	6,305	2.13
STATE STREET BANK AND TRUST COMPANY 510312	5,704	1.92
Japan Trustee Services Bank, Ltd. (Trust account 5)	4,955	1.67
JP MORGAN CHASE BANK 385151	4,887	1.65

Note 1. The shareholdings of The Master Trust Bank of Japan, Ltd. and Japan Trustee Services Bank, Ltd are all interests in trust.
2. All owned shares of less than 1,000 shares have been rounded off.
3. All decimals from the 1,000th place have been rounded off in indicating the percentage of voting rights.

Changes in Stock Price

Highest and lowest stock prices by fiscal year over past 5 years

Accounting period	Fiscal year ended March 2016	Fiscal year ended March 2017	Fiscal year ended March 2018	Fiscal year ended March 2019	Fiscal year ended March 2020
Highest	1,699	1,358	1,853	1,754	1,567
Lowest	891	918	1,139	1,090	968

Note 1. The stock price indicates the price recorded at the First Section of the Tokyo Stock Exchange.

Overview *(As of March 31, 2020)*

Name: Haseko Corporation	Head office: 32-1 Shiba 2-chome, Minato-ku, Tokyo 105-8507 Tel: 813-3456-5451
Founded: February 1937	Kansai office: 5-7 Hiranomachi 1-chome, Chuo-ku, Osaka-shi, Osaka 541-0046 Tel: 816-6203-5661
Established: August 1946	Yokohama branch: 9th Floor, Nittsu Shoji Yokohama Building, 19-3 Takashima 2-chome, Nishi-ku, Yokohama-shi, Kanagawa 220-0011
Paid-in capital: 57,500 million yen	Nagoya branch: 9th Floor, Sakae Sun City Building, 1-8 Sakae 4-chome, Naka-ku, Nagoya-shi, Aichi 460-0008
Number of employees: 2,475 (Non-consolidated) 7,315 (Consolidated)	Kyoto branch: 7th Floor, Chushin Ekimae Building, 734 Higashishiokouji-cho, Karasuma-dori, Shichijou-kudaru, Shimogyo-ku, Kyoto-shi, Kyoto 600-8216
Stock exchange listing: Tokyo Stock Exchange 1st section,	Kyushu/Okinawa Operations Division: 2nd Floor, Ichigo Hakataekimae Square, 21-28 Hakataekimae 1-chome, Hakata-ku, Fukuoka-shi, Fukuoka 812-0011
Ticker code: 1808	Chushikoku Real estate Sales Division : Orix Okayama-shimoishii Building, 1-18 Shimoishii 2-chome, Kita-ku, Okayama-shi, Okayama 700-0907
Shares per trading units: 100 shares	Technical research institute: 1-1 Tsurumaki 3-chome, Tama-shi, Tokyo 206-0034
Number of consolidated subsidiaries: 58	Vietnam representative office: 7th Floor, Vinafor Building, No.127 Lo Duc, Dong Mac Ward, Hai Ba Trung District, Hanoi, Vietnam
Number of companies accounted for by the equity method: 2	Indonesia representative office: 14th floor Summitas II, Jl. Jend. Sudirman Kav.61-62, Senayan, Kebayoran Baru, Jakarta Selatan, Indonesia
Transfer agent and registrar: Mitsubishi UFJ Trust and Banking Corporation	
Independent auditor: ERNST & YOUNG SHIN NIHON	

