



RENAI YOKOHAMA TOTSUKA

ANNUAL REPORT 2021

For the Year Ended March 31, 2021



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 660,000 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.



Cover photo

RENAI YOKOHAMA TOTSUKA (Totsuka-ku, Yokohama-shi, Kanagawa, 439 units)
A 12-minute walk from the gorgeous space in front of Totsuka Station filled with a variety of large commercial facilities, the property is a major project that creates comfortable housing adjacent to one of such large facilities. It features THE ROOF, a new-concept working lounge that harmoniously combines private spaces for “working” and “studying” as well as open spaces for “relaxing” and “enjoying conversation.” As an evolved form of a lounge proposing new working styles and looking ahead, THE ROOF received the 2020 Good Design Award.

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■ 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.

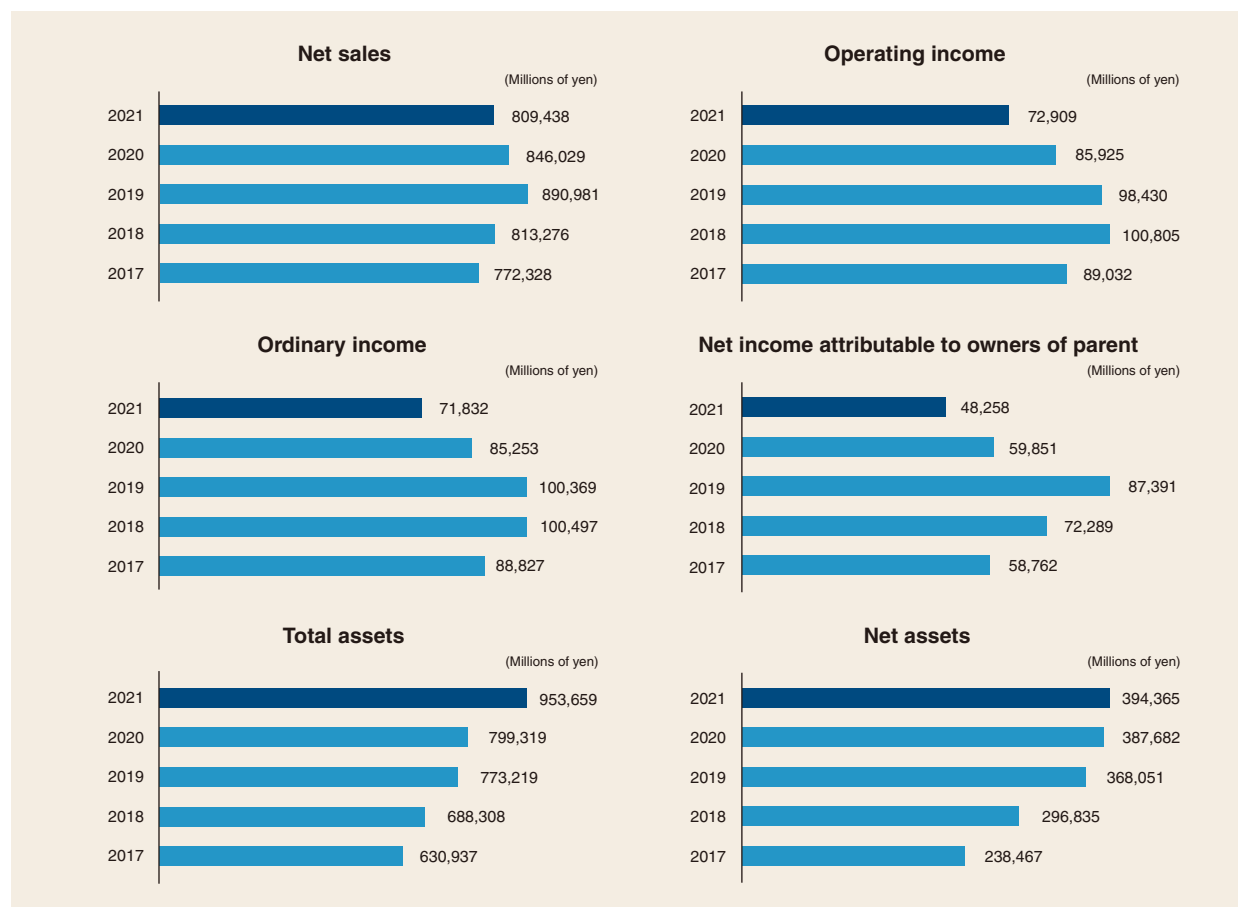
Financial Highlights

Haseko Corporation and its Consolidated Subsidiaries

(Years ended March 31, 2017, 2018, 2019, 2020 and 2021)

	Millions of Yen					Thousands of U.S. Dollars
	2017	2018	2019	2020	2021	2021
For the Year:						
Net sales	¥772,328	¥813,276	¥890,981	¥846,029	¥809,438	\$7,311,335
Operating income	89,032	100,805	98,430	85,925	72,909	658,556
Ordinary income	88,827	100,497	100,369	85,253	71,832	648,830
Net income attributable to owners of parent	58,762	72,289	87,391	59,851	48,258	435,896
At Year-end:						
Total assets	¥630,937	¥687,706	¥773,219	¥799,319	¥953,659	\$8,614,025
Net assets	238,467	296,835	368,051	387,682	394,365	3,562,142
			Yen			U.S. Dollars
Per Share Data:						
Net income attributable to owners of parent	¥195.48	¥241.98	¥ 293.87	¥ 201.36	¥ 168.62	\$ 1.52
Net assets	791.24	995.44	1,234.13	1,323.51	1,425.93	12.88

Note: The U.S. Dollars amounts represent translation of yen amount at the rate of ¥110.71 = U.S. \$1.00, the exchange rate at March 31, 2021.



Message from the Management



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

In the fiscal year ended March 2021, the Japanese economy remained in a severe situation under the impact of the spread of the novel coronavirus (COVID-19) continuing from the latter half of the previous fiscal year. Under such circumstances, new supply of condominium units stood at 29,032 units (up 1.6% year on year) in the Tokyo metropolitan area and 16,239 units (down 7.0% year on year) in the Kinki area. Impacted by the spread of COVID-19, new supply in the first quarter decreased significantly year on year. It made an upward turn, however, in the second quarter and thereafter, with the annual figure surpassing the year-earlier results in the Tokyo metropolitan area.

For the fiscal year under review, which represents the first year of the “Haseko Next Stage Plan” (Plan NS), the Company’s medium-term business plan, the Construction-Related Business saw the gross profit margin of completed construction contracts decrease due to promotion of receiving orders for non-residential product areas and rising material and labor costs, among other factors. In the Service-Related Business, the volume of construction works in large-scale repairs, interior remodeling and management of for-sale condominiums was significantly impacted by COVID-19. Given such situation, however, the Haseko Group steadily accumulated profits as deliveries of new for-sale condominiums by consolidated companies in the Real Estate-Related Business progressed smoothly. Consequently, the Haseko Group achieved ordinary income of 71.8 billion yen, surpassing 70.0 billion yen forecast at the beginning of the fiscal year.

As a result of the above, both sales and profits for the fiscal year ended March 2021 decreased year on year. Net sales fell by 4.3% to 809.4 billion yen mainly due to a decrease in the volume of condominium construction works. Operating income was down 15.1% at 72.9 billion yen due to the decrease in the volume of condominium

Message from the Management

construction works as well as a decrease in profit on construction associated with lowered gross profit margin of completed construction contracts for condominium construction works. Ordinary income stood at 71.8 billion yen, down 15.7%, and net income attributable to owners of parent decreased 19.4% to 48.3 billion, compared with the previous fiscal year. The operating income ratio was 9.0% (down 1.2 points year on year) and the ordinary income ratio came to 8.9% (down 1.2 points year on year). The Company decided to deliver a year-end dividend of 35 yen per share. Combined with the interim dividend of 35 yen, the annual dividend amounts to 70 yen per share.

In Japan, the environment surrounding our business operations is undergoing major change, as addressing social and environmental issues such as an aging society with a low birthrate, decreasing population, trends for “compact cities,” aging buildings, intensified natural disasters and decarbonization has become an important theme. Accordingly, the Haseko Group has endeavored to develop its growth strategy that takes into account changes in social conditions. In doing so, we formulated the “Haseko Group Long-Term Vision ~What the Company Aims to Be for the Fiscal Year Ending March 2030~” in the previous fiscal year. It indicates the direction of the Company’s business strategy that looks ten years ahead, and we have initiated the Haseko Next Stage Plan (Plan NS), the five-year medium-term business plan for achieving the vision. In the Construction-Related Business, we have focused on expansion of business areas, ultra-skyscraper condominiums and redevelopment projects in for-sale condominium construction, our mainstay business. Moreover, we have endeavored to broaden our residential-use offerings including rental condominiums, corporate housing, student dormitories and detached housing, while working to reinforce such non-residential products as hotels, office buildings and logistics facilities. In the Real Estate-Related Business, we are proactively implementing our development business in regional cities. Going forward, we will work to expand Service-Related Business such as management and remodeling.

Currently, as people’s lifestyles and needs for housing change and diversify significantly due to the spread of COVID-19, people seek from condominiums a variety of creative and innovative proposals both in terms of physical products and services and know-how. In this regard, the Haseko Group wants to achieve business reform and create new business models for the future by innovatively working to strengthen the competitiveness of its products and services and enhance productivity through promotion of its proprietary DX (digital transformation) platforms like BIM & LIM (Building Information Modeling and Living Information Modeling), and reinforcing its ability for intra-group coordination. Moreover, as we endeavor for a decarbonized society, we are proactively taking measures against climate change, including developing and adopting construction technologies that reduce environmental burden and making proposals for energy conservation through Net Zero Energy House (ZEH) and other measures. We are resolved to proactively implement these initiatives with a sense of speed so as not to be left behind the trend of thinking that “endeavors for decarbonization will affect corporate value.” By implementing the abovementioned measures for solving issues surrounding our society, 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.”

We at the Haseko Group are determined to continue our endeavors to solve issues that arise from changes in society and the business environment and work on each of the focused strategies under the Plan NS. By doing so, we aim to achieve the goals of the plan. Going forward, while remaining grateful to all our stakeholders, we will further reinforce coordination among Group companies and exercise our comprehensive strengths. With such endeavors, we aim to make a further leap towards becoming a “corporate group for housing to create great living” as we serve to support the lives of people living in condominiums. Your continued and reinforced support and encouragement would be greatly appreciated.

June 2021



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.

New Medium-term Business Plan 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
 - 3) Shortening construction time and enhancing cost competitiveness through utilizing BIM and other ICT-related technologies
 - 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

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

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
- (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

Focused Strategies

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 %

Dividend per share (yen)

13/3	14/3	15/3	16/3	17/3	18/3	19/3	20/3	21/3
0	3	10	15	30	50	80	70	70

Resumption
of
dividends

Minimum
of
70 yen

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

Initiatives of focused strategies

Expansion of construction-related business domain

Expansion of construction of high-rise condominiums

In recent years, the condominium market has seen increased supply of ultra-skyscraper condominiums, including redevelopment projects in the station-front retail districts due to heightening needs for convenience. Haseko attaches importance to ultra-skyscraper condominiums in terms of intensive use of land in city centers and with regard to the Compact City Policy promoted by the Ministry of Land, Infrastructure, Transport and Tourism. As such, the Company works to further deepen its system to design and construct ultra-skyscraper condominiums, promoting construction of safe and secure condominiums of all types.

Ultra-skyscraper condominiums offered by Haseko



Prime Parks Shinagawa Seaside The Tower



Laurel Tower Renai Hamamatsucho

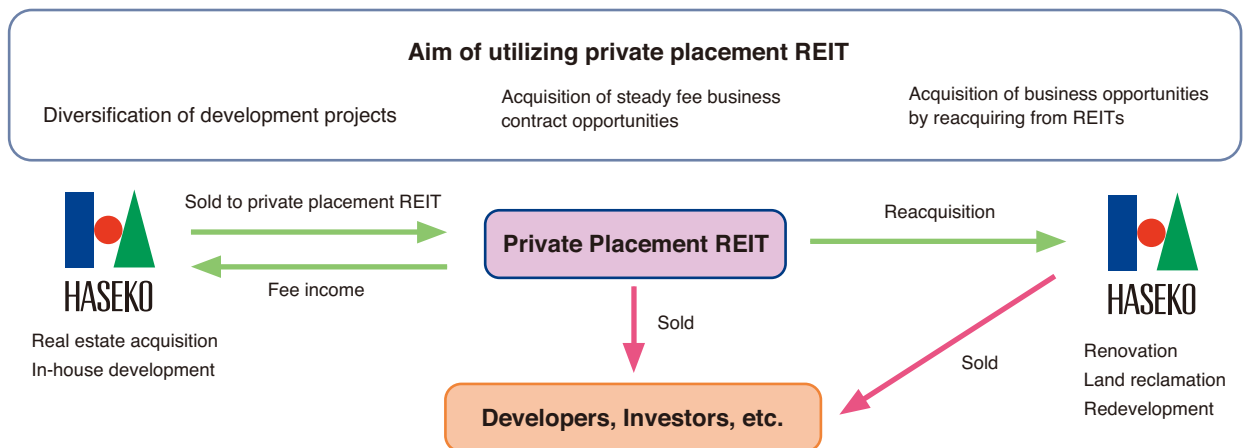


Laurel Tower Midosuji Honmachi

Expansion of investment in real estate-related business

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.



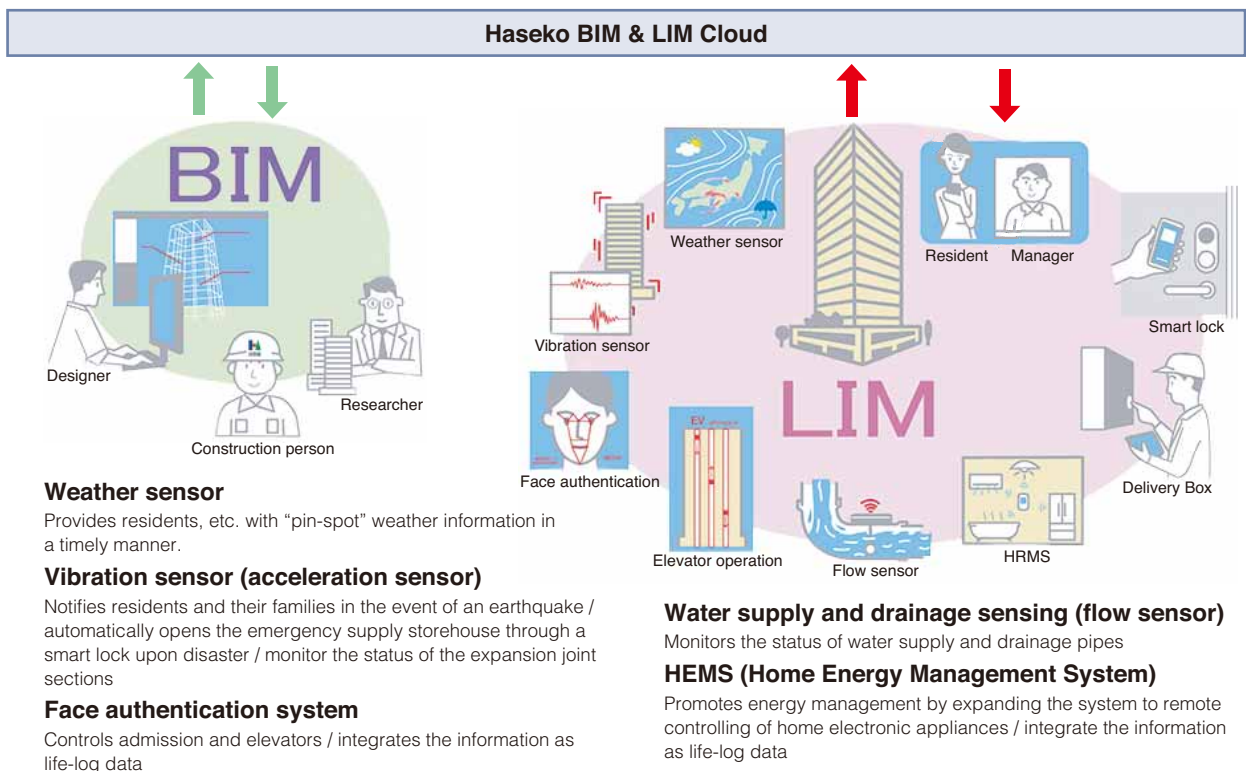
Initiatives of focused strategies

Investment for realizing digital transformation (DX)

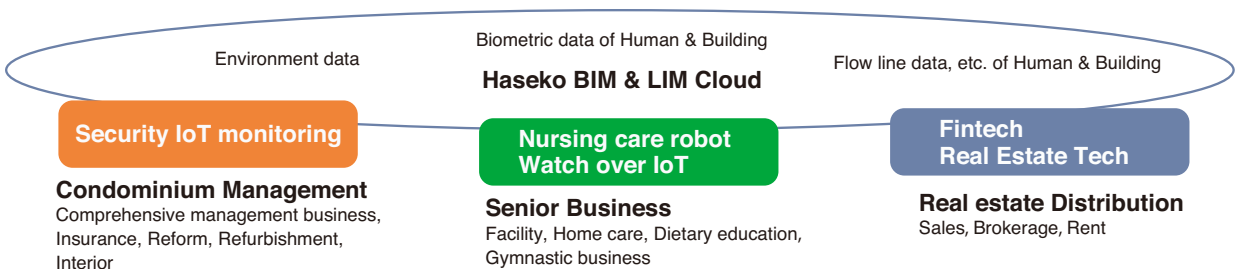
Utilization of ICT for apartments and initiatives for open innovation

The Haseko Group is building an information platform that integrates housing information through design and construction and living information, including the information obtained from sensors incorporated in condominiums, on its proprietary cloud system.

In March 2020, as an initiative to create a scheme named Living Information Modeling (LIM), Haseko started to collect a variety of living information from within condominiums. Combining it with BIM (Building Information Modeling), which the Company has introduced for all stages of its condominium business, Haseko is strongly promoting digital transformation (DX).



Development of use in service-related business



Construction completed for Feel I Residence (72 units in total), an ICT-equipped condominium that fully incorporates advanced ICT and systems, in March 2020. A variety of data obtained from these technologies and systems units are integrated and analyzed as "living information" on the information platform (BIM & LIM Cloud). Through this process, the Company aims to utilize the data for supporting daily lives in condominiums, including security, information services, watching from afar, disaster prevention, maintenance and repairs, as well as for extending the life of buildings.

Initiatives of focused strategies: Investments for Adopting Advanced Technologies

Haseko endeavors for productivity reform and creation of new services by utilizing advanced technologies.

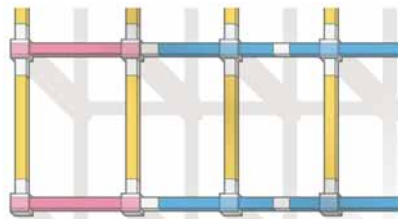
Improving Productivity of Constructing Ultra-Skyscraper Condominiums Developed "PCa Beam-Division System for Ultra-Skyscrapers" Linked With Haseko-Version BIM

The system makes it possible to simulate beam division by only inputting such construction conditions as beam dimensions, concrete strength, and joint length, without requiring special expertise or experience. Compared with before introduction of the system, the time needed for investigation is nearly halved.

By linking with the Haseko-version BIM, the system also enables information-based production at the precasting plant. This should improve productivity as well as eliminate PCa drawings, etc.

Characteristics of "PCa Beam-Division System for Ultra-Skyscrapers"

- The time needed for investigation of beam division is nearly halved.
- Only inputting building overviews and construction conditions is needed, and no special expertise or experience is required.
- By linking with the Haseko-version BIM, the system enables information-based production at the precasting plant (improving productivity and eliminating use of paper).



Illustrative drawing of PCa beam division (divided into blue, red, and yellow portions),



PCa beam construction

"AR Takumi RESIDENCE"

Utilizing Mixed Reality for the First Time in Japan for Condominium Tile-Hammering Tests

The Company developed "AR Takumi RESIDENCE," a mixed reality (MR) solution for exterior wall tile-hammering tests for condominiums, jointly with Microsoft Japan Co., Ltd. The use of mixed reality in tile-hammering tests for condominiums is the first such application in Japan (according to Microsoft Japan). The solution was introduced in July 2020 in the Kanto area where Haseko Reform conducts building diagnosis and is to be gradually expanded nationwide.



Hammering test conducted by wearing HoloLens2



Screen of inspection record item selection



Example of lifting tiles

Synergy of the Haseko Group

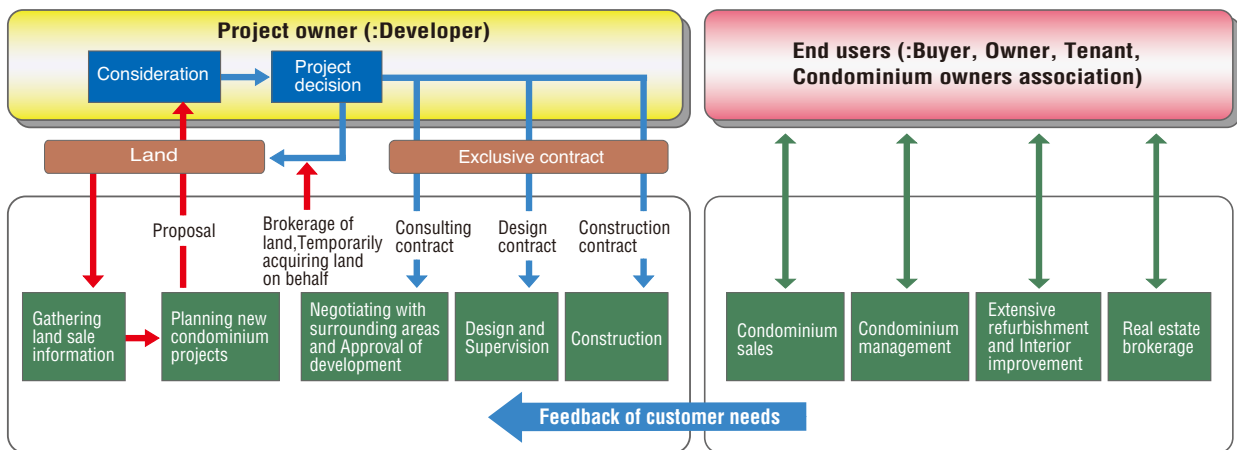
Endeavoring to expand and reinforce its business domains, the Haseko Group works to further reinforce coordination among Group companies and exercise its comprehensive strengths. By doing so, it aims to become a corporate group for housing to create great living, as it serves to support the life of people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

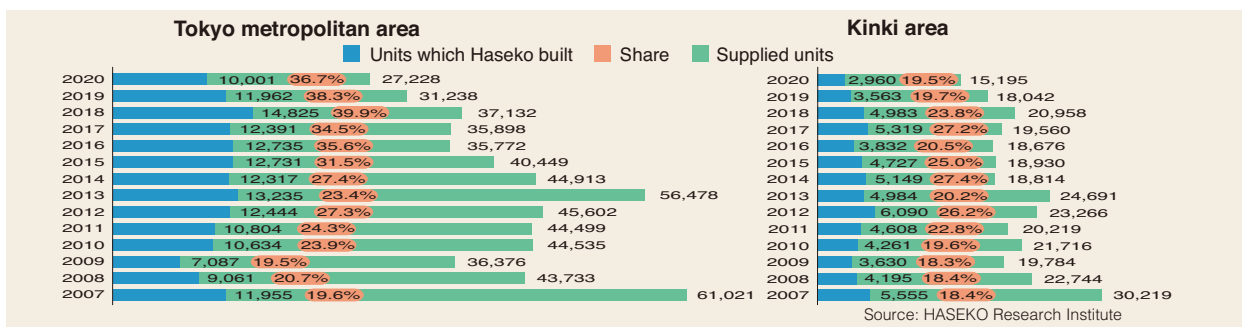
The Company has positioned "expanding investments in the real estate business" as one of its new focused strategies in the medium-term business plan starting in the fiscal year ended March 2021. In line with this, it has changed the classification of its reportable segments under which part of the Construction-Related 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 2021 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.



History of condominium units supplied



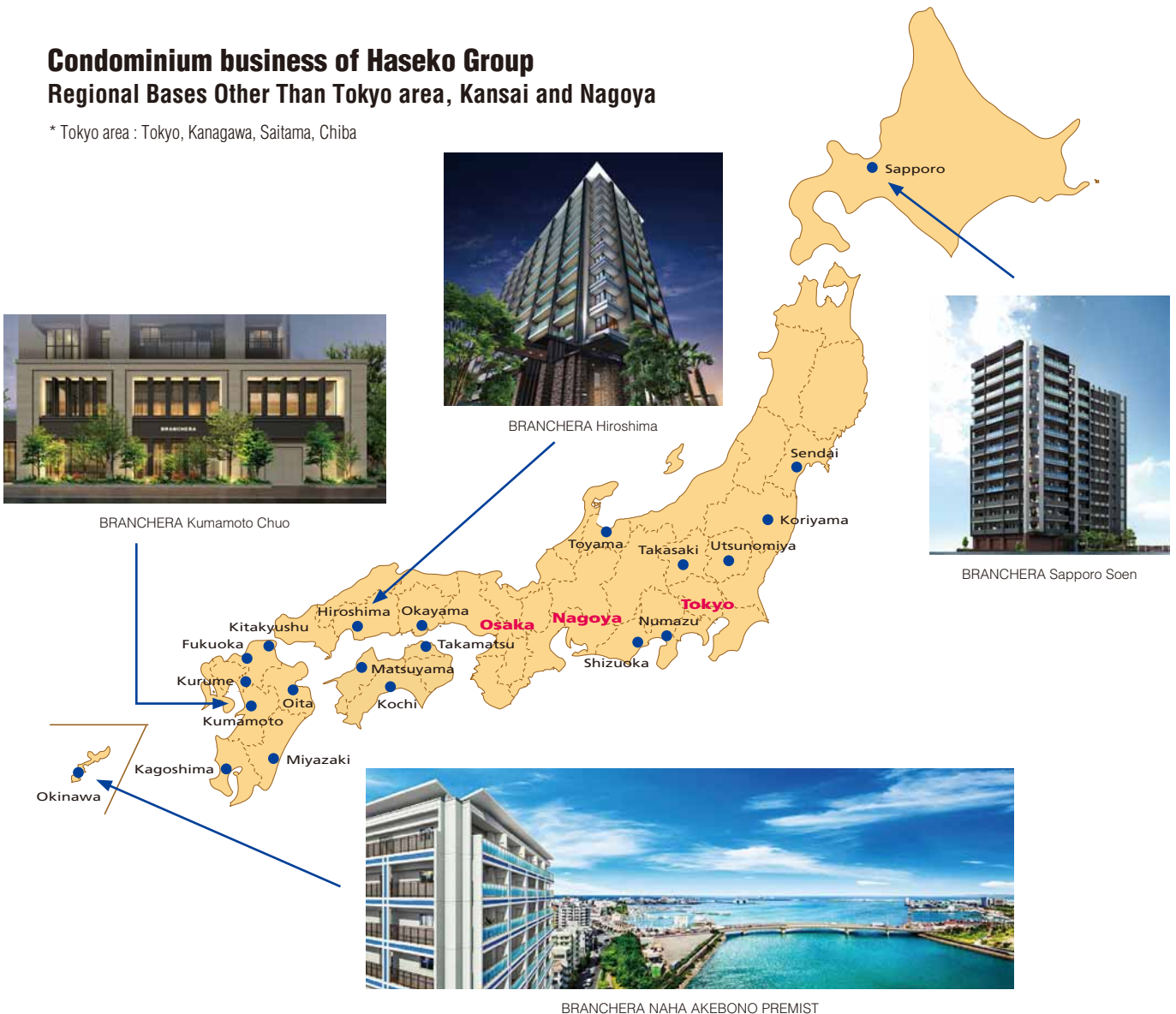
Initiatives to Expand Business Areas: Domestic Market

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 and Shikoku regions 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.

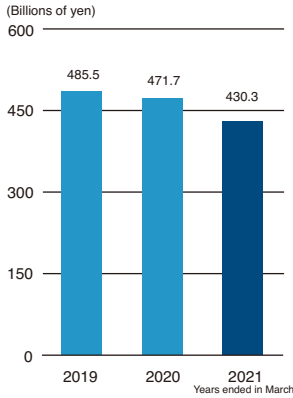
The service-related business group has been operating in major cities in Japan, led by management companies, and is expanding its network further through M&A, etc. With these endeavors, the Haseko Group as a whole is strategically engaging in such businesses as marketing, management, and development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

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

* Tokyo area : Tokyo, Kanagawa, Saitama, Chiba

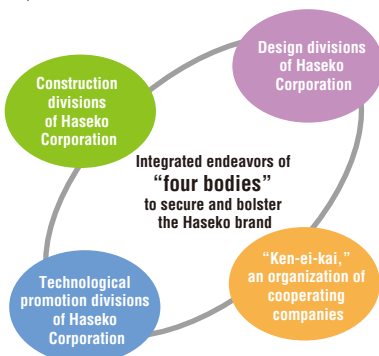


Orders received (Non-consolidated basis)



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



Construction

Haseko Corporation has specialized in condominium construction, as shown by its cumulative construction track record of over 660,000 units built. Unlike ordinary general contractors, the Company deploys the unique business model of “Haseko Exclusive Contracts by providing land for project owners,” in which it proposes land information it acquires on its own along with optimal project plans to project owners. 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 that have full knowledge of Haseko’s construction methods. On top of their proficiency in construction, such companies 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.

Challenge for New Construction Fields

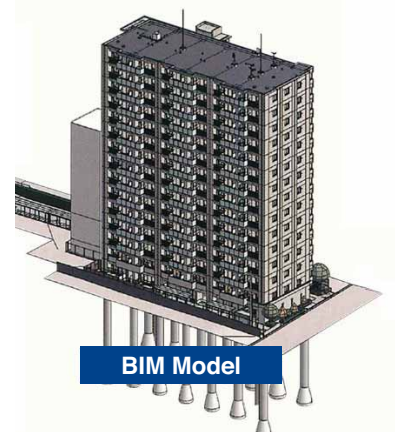
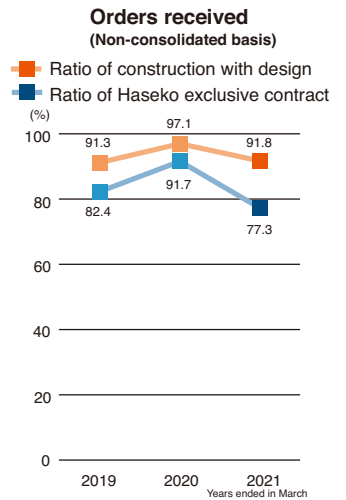
Taking advantage of the technological capabilities it has fostered through for-sale condominium construction and its abundant achievements, the Company is proactively working on a variety of construction fields, including not only residential-use properties such as ultra-skyscraper condominiums, rental condominiums, condominiums for students and elderly people, and corporate housing and dormitories, but also hotels, office buildings and logistics facilities. In April 2020, the Haseko Group incorporated HOSODA CORPORATION, which is engaged in sale, design and construction of wooden detached housing. Going forward, the Haseko Group will exert its synergies to meet all types of customer needs.



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. In addition, the Company is promoting the use of BIM throughout the design and construction process as well as the introduction of ICT-related technologies while also working on productivity reform at construction sites.

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.



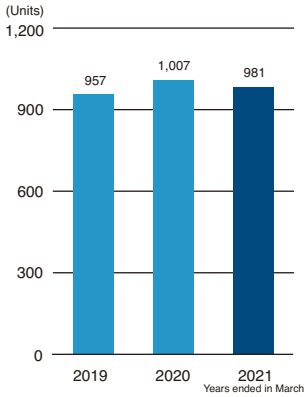
Initiatives to Innovate Production Technologies

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).



PREMIST Funabashi Tsukada

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



Taking advantage of the ability to gather land information and analyze the market, which the Company has fostered over many years, as well as its abundant achievements in real estate development, Haseko conducts a variety of real estate-related businesses including for-sale condominiums, for-sale detached housing, development and operation of profit-generating properties like rental condominiums, and consultation for effective use of land.

For-Sale Condominiums Business

The Company offers RENAI series condominiums, which mainly consist of family-type units, in metropolitan areas, and BRANCHERA series condominiums, which feature a variety of units including family-type and compact-type units, in core regional cities.

Development of Rental Condominiums

The Company is also engaged in developing profit-generating properties in pursuit of maximizing the asset value and use value of real estate. Aside from rental condominiums, the Company conducts planning and development of a variety of assets, including condominiums for students, hotels, office buildings and retail facilities.



BRANCHERA Nagahama Motohamacho

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.

Sohgoh 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 detached housing and residential land development, rental condominiums, hotels, and rental office buildings.

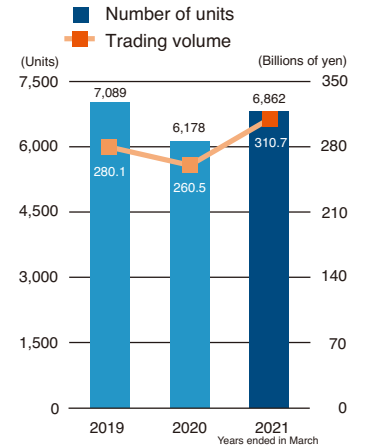
Haseko Urbest, which have a leading position in consigned sales of newly built condominiums in Japan, and Haseko Real Estate, which develops mainly in the brokerage and renovation businesses centered on existing real estate sales, will contribute to the revitalization of the condominium market and existing housing brokerage.

Haseko Urbest Inc.

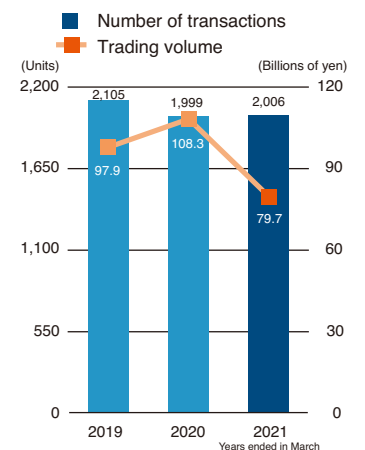
Haseko Urbest Inc. is responsible for consigned sales of newly built condominiums as its mainstay business, and conducts marketing through consultation for customers considering purchase of condominium units. On top of sales, it also plays an important role in reflecting the voice of customers into the Haseko Group toward new product planning and enhanced quality of design and construction. 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. Going forward, Haseko Urbest will utilize such know-how in selling newly-built, for-sale detached housing.



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



Brokerage of real estate (Haseko Real Estate)



Haseko Real Estate, Inc.

Haseko Real Estate, Inc. was born as an “integrated real estate brokerage company” 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. The company conducts brokerage business to handle wide-ranging real estate transaction needs, from brokerage, selling and buying to leasing of condominiums, detached housing, retail sites and profit-generating buildings, as well as renovation business to purchase, add value and re-sell existing housing. It also provides after-sales services, including its proprietary long-term building assurance service that takes advantage of the collective capabilities of the Group, so that customers can live comfortable lives after purchasing or selling their residences.

Real Estate Brokerage

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

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

Land: Sites for condominiums and detached 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 detached houses (from entire buildings to single units), profit-generating properties

Temporary holding: For renovation and conversion

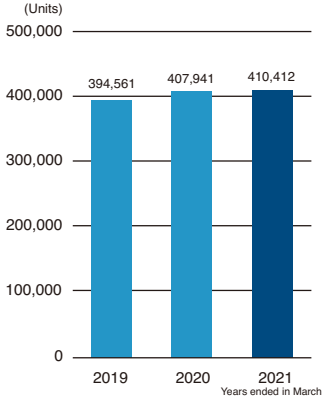
Sale: For the real estate market and business corporations

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 a variety of technical and legal consultations including long-term repair plans, building inspections and large-scale repairs, armed with the technological capabilities unique to managing companies belonging to a general contractor group, and are engaged in the business to maintain and manage the foundations for living, including daily cleaning and facility maintenance. Moreover, they support planning and operations of a variety of events at condominiums designed to form a community and establish a system of mutual help among residents. Under Haseko Property Management Holdings Inc., which was established in 2017 as the intermediate holding company that supervises the for-sale condominium management operations of the Haseko Group, the four management companies are currently consigned with condominium management of over 400,000 units in total. They provide management services in wide areas covering Sapporo, Sendai, Koriyama, Chugoku and Shikoku regions and Kyushu and Okinawa regions, on top of the three major metropolitan areas.



Haseko Property Management Holdings Inc.

Working as an intermediary holding company that supervises the for-sale condominium management operations of the Haseko Group, the company integrates the knowledge, experience and know-how obtained by the respective companies engaged in this business through their management operations, and provides even a wider-range of services.

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.

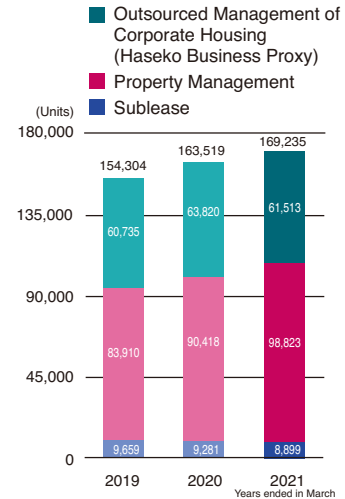
Life Support Services

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 operation bases in eight locations in major cities of Sapporo, Sendai, Shizuoka, Nagoya, Hiroshima and Fukuoka as well as in the Tokyo metropolitan area and the Kinki area, and provides management and operation services in a manner that suits the respective markets. With its strong capabilities in leasing, market analysis and planning and proposal in the rental condominium management business, the company boasts industry-leading achievements in consigned property management of for-investment rental condominiums. In addition, the company has newly focused on a real estate solution business, conducting one-stop operations to meet property owners' needs.

Rental condominium management and operation



BRANSIESTA MORISHITA



BRANSIESTA IIDABASHI



BRANSIESTA RYOGOKU

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.

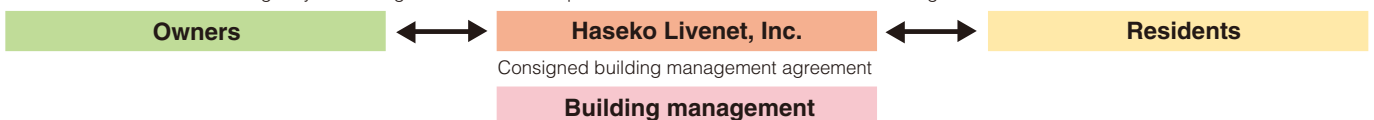
Products covered: a set of living goods including furniture and home appliances, gas stoves, and bedding

(* 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

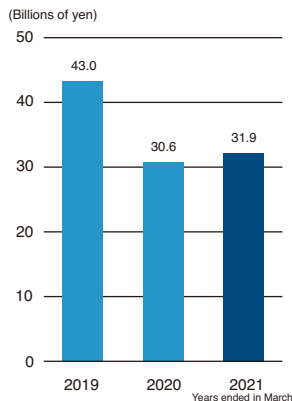
Agency service agreement for rental operations

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 6.75 million units. Of these, approximately 2.32 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.

Haseko Reform Inc. is an integrated remodeling company boasting achievements in large-scale repair and renovation work encompassing over 640,000 units. The company 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. Moreover, it can deliver interior remodeling of exclusive areas and renovation of office buildings, dormitories, company housing and educational facilities, and provides construction quality that achieves maintenance and enhancement of the asset value of condominiums and other buildings.



Juyushi (excellent engineers of housing), or experts of building diagnosis, is organized by practitioners of condominium design, management and repair, etc., and implements diagnosis of the four aspects of building, earthquake resistance, facilities, and the environment and energy saving.

Work for Multi-Use Development Project: Whole Building Renovation



Share Place Mitaka

Creating a space that is coherent as a whole while intentionally utilizing existing walls and beams



Before



After

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 detached 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 303 properties (including those under preparation) as of April 1, 2021, of which 263 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.



Palais Royal Midorigaoka
Our first building replacement condominium

Garden Flats Toyonaka Asahigaoka
Building replacement utilizing the adjoining land to eliminate the need for temporary housing



OBER Grandio Haginaka
The first resolution on building replacement applying the Revised Condominium Unit Ownership Act; project implemented by the initiative of the management association



BRANCHERA Ichikawa Gyotoku: Building replacement of a wooden-framed town house, entirely produced by the Haseko Group from design and construction to sales

Comprehensive Strengths of the Haseko Group Utilized in Condominium Rehabilitation

An advisor of total aspects for condominium rehabilitation to meet a variety of needs for “repair and renovation” and “building replacement”

Building diagnosis and renovations of earthquake-resistant structures, ordinary repairs, large-scale repairs and interior remodeling

Planning and design of condominium building replacement

Condominium building replacement construction

Purchase of redundant floors and sale to general consumers

Mediation of temporary housing and advisory for negotiations on displacement of tenants

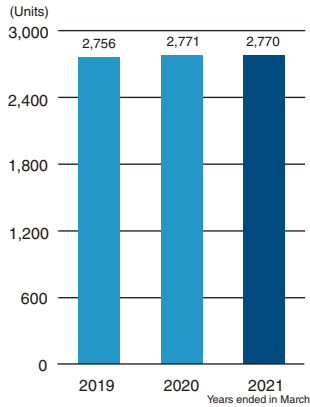
Proposal on condominium management and operation

Sale of for-sale condominiums and mediation of housing for mover

Mediation of paid facilities for the elderly and housing for the elderly

Senior Living Business and Overseas Business

Changes in the number of paid facilities for the elderly



Senior Living Business

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. Affiliating Century Life Co., Ltd. and Seikatsu Kagaku Un-Ei Co., Ltd., which have established and operated housing for the elderly for over 30 years, and Furusato Co., Ltd., which operates Furusato dementia-specialized day services and short-stay facilities in Kawasaki and Yokohama, the company offers services at approximately 100 operation centers in the three major metropolitan areas. By taking advantage of the characteristics of the respective affiliates, it provides paid facilities for the elderly, housing with services for the elderly, paid nursing care facilities for the elderly, group homes and home nursing care services.



A serviced apartment for Japanese people in Hanoi, Vietnam



A project in Ewa District, Hawaii



Rental housing in Duarte



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.



Overseas Business

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. The housing development project for actual use demand covering approximately 4,000 units in the Ewa District, Hawaii, which the Company conducted since 1999, completed in 2018, and ongoing operations in Hawaii are limited to resort development. Going forward, the Company plans to develop retail facilities, hotels and residences in areas with a good atmosphere for resorts and located close to lagoons and the coast.

In Southeast Asia, the Company opened a representative office in Vietnam in 2012. The Company developed a serviced apartment for Japanese people in Hanoi, Vietnam, which completed in 2017. In 2020, the Company entered into a partnership with Ecoba Vietnam, a local construction company, in order to further reinforce its housing construction business there.

New Initiatives

In March 2019, Haseko America, Inc. (HAI), a subsidiary, entered the senior living business in the U.S. by acquiring equity interest in 9 local senior residential facilities (approximately 1,200 units). Subsequently, HAI carried out equity investment in a special purpose company for development of rental housing in Duarte, Los Angeles County, California. 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.

HOSODA CORPORATION Newly Incorporated into the Haseko Group

In April 2020, the Haseko Group incorporated HOSODA CORPORATION, which is engaged in the sale and custom building of wooden detached housing. With the incorporation, the Company is working to expand its business domains and promote further reinforcement of business operations by enhancing synergy within the Haseko Group.

HOSODA CORPORATION

Since its founding in 1947, HOSODA CORPORATION has continued to value and pursue "wooden houses." In the ever-changing housing market, the company always pursues creative and innovative endeavors to enhance the quality of its offerings as a key player of house-making using the timber framework method. Through an integrated business system, it conducts on its own all processes of creating living spaces, from acquisition of sites to design, construction management, delivery and even maintenance services. Based on this system, the company has kept its practice of directly conducting construction bearing all responsibility, and has delivered more than 35,000 detached houses to date.

Currently, the company exerts synergistic effects as a member of the Haseko Group and responds to the diversifying needs of customers. Built on its wooden detached housing business including sales and custom building, the company is engaged in a variety of businesses such as town creation, remodeling and evaluation of seismic capacity of housing.



Timber framework method

Characteristically, the method prepares the skeleton frame of a building with the foundation, pillars and beams, and arranges load-bearing walls in a well-balanced manner, nailed with structural plywood, etc. to braces and the framework so that the building can withstand earthquakes and strong wind.

Proprietary "Growing Series" for-sale housing by HOSODA CORPORATION



Growing Square Kunitachi Concept House

Custom-built housing that realizes the dream home customers envision and the lifestyle they hope for



Hamadayama model house for "Ki-Kokochi-Moku" custom-built housing



A custom-built house that realizes a spacious living room on a site with limited space

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.

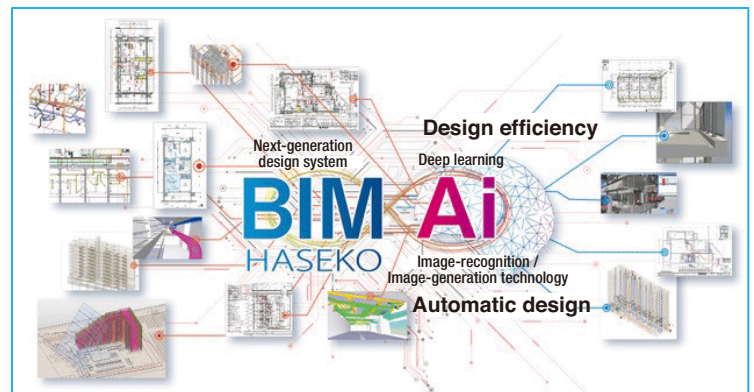


A multi-purpose test building with wall greenery effective for mitigating global warming and reducing CO₂ emissions

Haseko's Next-Generation Design System Started Joint Research Aimed at Utilization of Image-Generation Technology Using Deep Learning

The Digital Technology Lab of Haseko Corporation has started joint research with Incubit, Inc., which excels in image-recognition and image-generation technologies using deep learning, to promote utilization of AI technologies in the next-generation design system.

The joint study aims to explore the feasibility of automatic design and AI design and further enhance the efficiency of condominium design work by combining Haseko's knowledge on condominium design and massive quantities of drawing data it has created to date with Incubit's AI technologies, in particular its knowledge and technologies concerning deep learning.

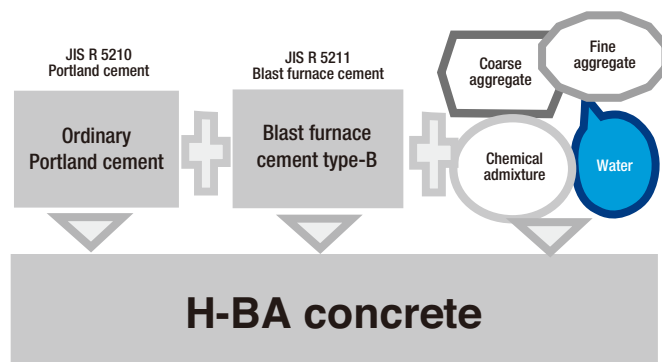


Haseko's proprietary "H-BA concrete" - highly versatile environment-conscious concrete First adopted at part of a newly built condominium in Yokohama-shi, with an aim to popularize and expand its use for realizing a decarbonized society

H-BA concrete is eco-friendly concrete manufactured by blending ordinary Portland cement and blast furnace cement type-B and reduces CO₂ emissions derived from concrete materials by some 8.2% to 18.5%. It has the same quality as concrete generally used like ordinary concrete (general concrete) and has obtained a construction technology performance certificate by General Building Research Corporation of Japan (GBRC performance certificate No. 17-21).

Characteristics

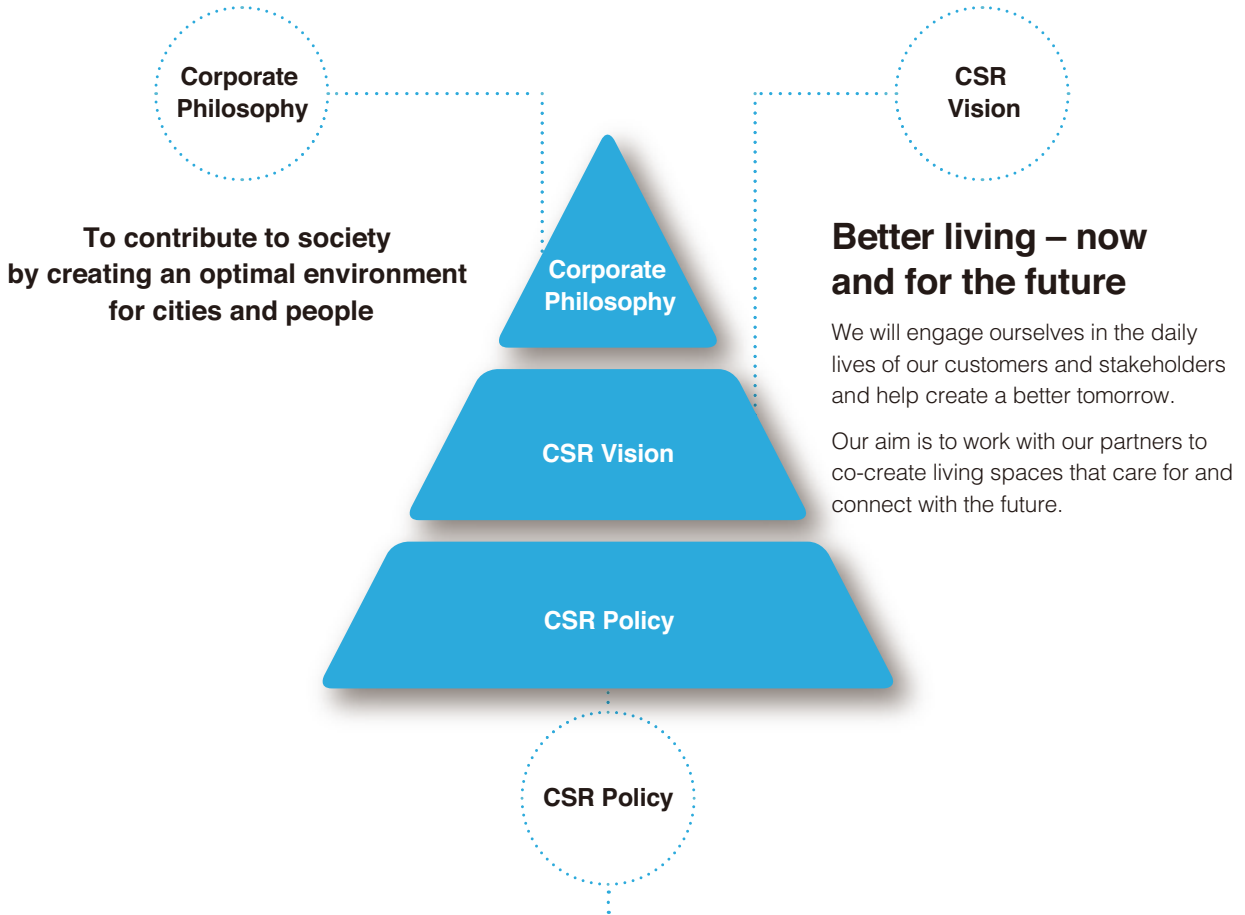
- (1) Having the same quality as general-use concrete
As the H-BA concrete has the same intensity reappearance and endurance performance as general-use concrete, it is used as concrete with the quality that meets the JIS A 5308 (ready-mixed concrete).
- (2) Exerting a significant effect on CO₂ reduction through wide-ranging use for buildings
Applicable to all parts of buildings, the H-BA concrete can be used in a wide range of sections. Accordingly, the product is expected to be effective for greatly reducing CO₂ emissions (as it reduces CO₂ emissions derived from concrete materials by some 8.2% to 18.5%).
- (3) Produced and used for construction in the same way as general-use concrete



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.

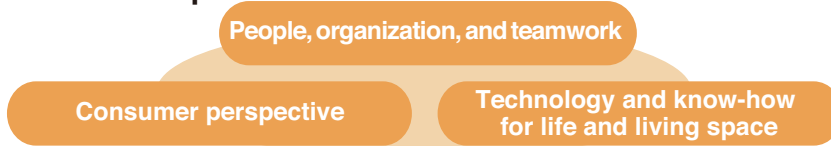


Based on our CSR vision, we, in the Haseko Group, promote CSR activities in accordance with the following policy items:

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.



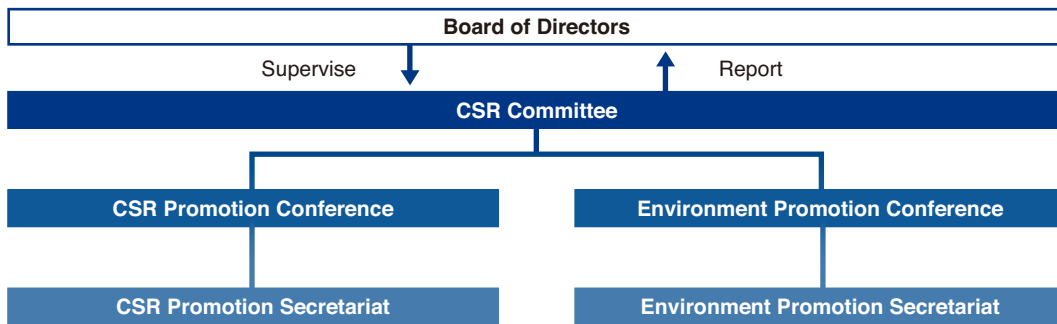
CSR Organizational Framework

The Haseko Group regards CSR to be an important management issue and aims for systemic progress in CSR activities through operation of the management structure.

The details determined at the “CSR Committee,” which is chaired by the President of Haseko Corporation, are incorporated into the Group’s overall strategy through the “CSR Promotion Conference” and the “CSR Promotion Secretariat.” The members of these bodies take the lead in promoting and instilling CSR activities throughout the Group.

Furthermore, a new structure under which the Board of Directors has a supervisory function will be established in the fiscal year ending March 2022 for periodic reporting. In addition to the “CSR Promotion Conference” and “CSR Promotion Secretariat” which are subordinate bodies under the “CSR Committee,” we have established the “Environment Promotion Conference” and “Environment Promotion Secretariat” to respond to environmental measures such as decarbonization as well as energy and environment technologies. We will promote initiatives for environmental issues even more strongly as a management strategy linked to CSR activities.

Diagram of CSR Management Structure



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 February 2020, the Company reviewed the Action Plan in order to further reinforce the linkage between CSR and the management policy.

Toward Establishing CSR Management

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

In February 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

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

SUSTAINABLE DEVELOPMENT GOALS



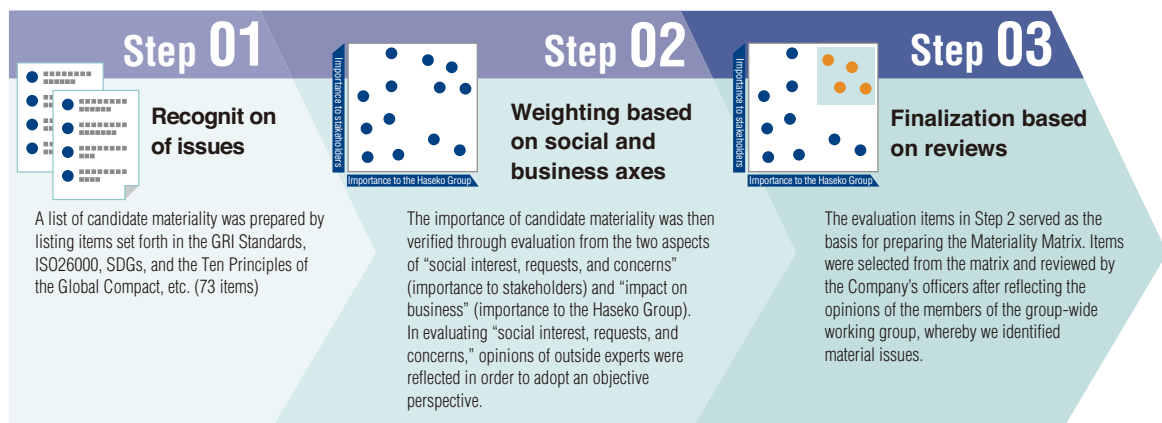
Materiality

Amidst accumulating environmental and social issues, including climate change, energy problems, aging society with fewer children, poverty and human rights issues, corporations have a growing responsibility to solve such issues. The Haseko Group identified priority issues to be addressed as materiality (material issues) in 2017 and incorporated these issues into our guidelines for promoting CSR.

The details of materiality were revised in February 2020 with the start of the medium-term business plan, "HASEKO Next Stage Plan." When undertaking the review our investigation was made from the perspective of business and social axes considering factors such as the medium-term business plan, social conditions, and opinions outside experts. The decision was made through a review by officials in March 2021 and we have taken initiatives in line with the materiality since April that year.

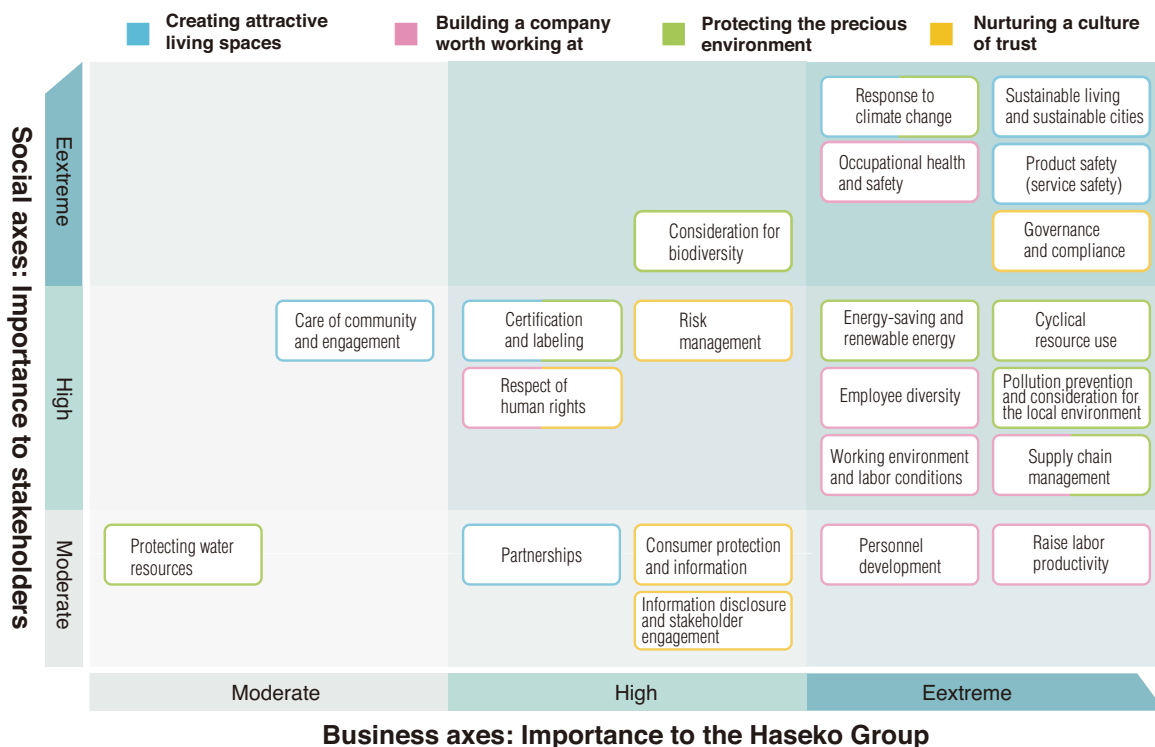
We will conduct periodic reviews as necessary from a perspective of consistency with the management policy and social conditions.

Materiality Identification Process



Haseko Group Materiality

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



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

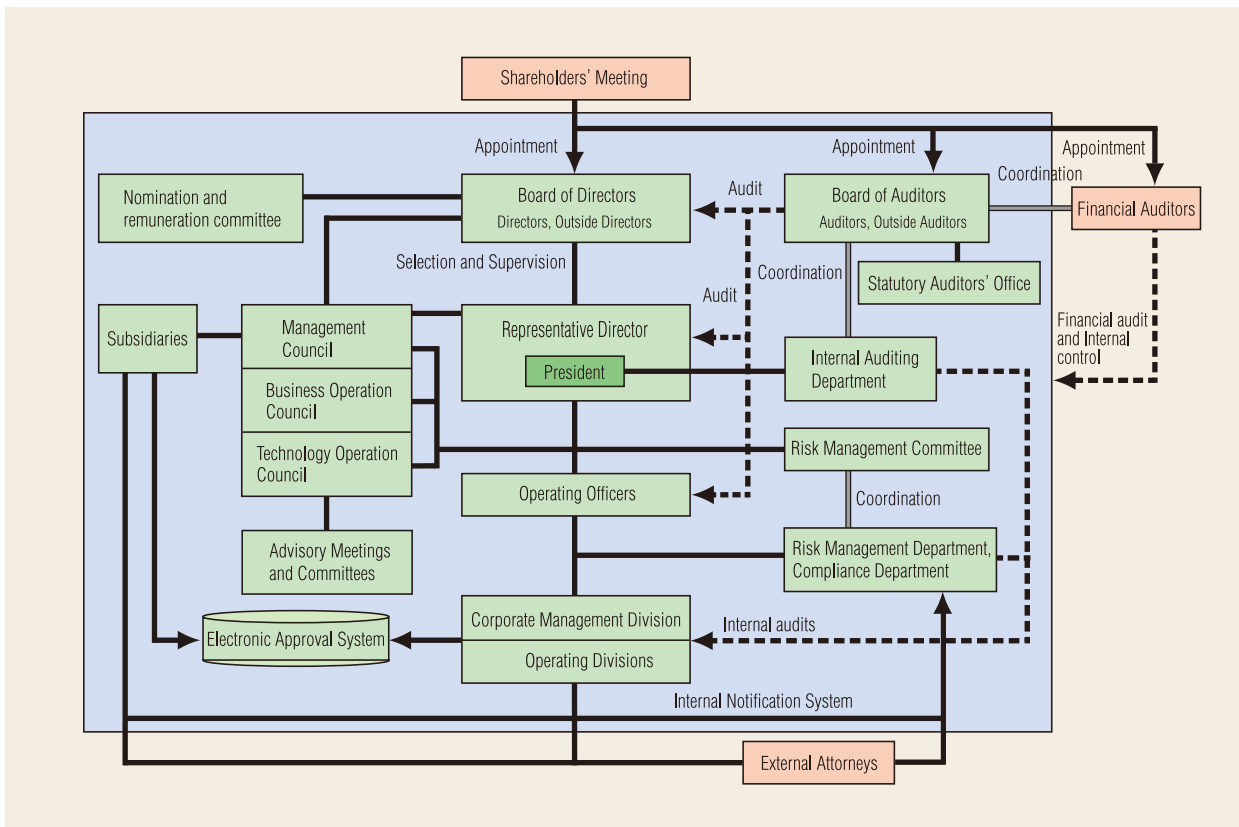
record to occupy at least one third of the Board of Directors, so that they shall provide appropriate opinions and advice in order to further activate discussions at the Board of Directors as well as enhance the function to monitor business management. We are working to establish a system that is optimum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

Analysis of Financial Condition and Business Performance

Five-Year Summary

Haseko Corporation and its Consolidated Subsidiaries

(Years ended March 31, 2017, 2018, 2019, 2020 and 2021)

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

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

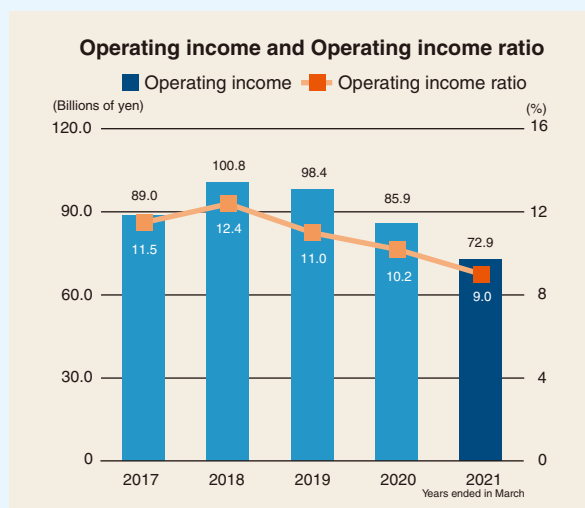
In the fiscal year ended March 2021, the Japanese economy remained in a severe situation under the impact of the spread of COVID-19 continuing from the latter half of the previous fiscal year. Under such circumstances, new supply of condominium units in the fiscal year under review stood at 29,032 units (up 1.6% year on year) in the Tokyo metropolitan area and 16,239 units (down 7.0% year on year) in the Kinki area. Impacted by the spread of COVID-19, new supply in the first quarter of the fiscal year decreased significantly year on year. It made an upward turn, however, in the second quarter and thereafter, with the annual figure surpassing the year-earlier results in the Tokyo metropolitan area. The initial-month sales rate, which serves as the benchmark for the status of sales, was 67.9% (up 6.6 percentage points year on year) in the Tokyo metropolitan area. Although it remained at the 60% level for the fifth consecutive year, the rate turned to an increase from the previous fiscal year. In the Kinki area, the figure surpassed 70% to stand at 72.5% (down 0.6 percentage points year on year). The number of for-sale units being marketed as of the end of March 2021 decreased to 7,357 units (down 6.7%) in the Tokyo metropolitan area, where inventory sales also remained strong, while the figure increased to 3,528 units (up 29.2%) in the Kinki area, partly due to recovery in new supply of condominium units in the second quarter and thereafter. An analysis of products supplied in the fiscal year shows that the unit price stayed almost flat at 905 thousand yen/m² (up 0.4%) in the Tokyo metropolitan area, but the average market price dropped to 59.94 million yen (down 1.0%) as the average unit space decreased to 66.20 m² (down 1.5%), compared with the previous fiscal year. In the Kinki area, the average market price rose to 41.60 million yen (up 6.6%), as the unit price increased to 698 thousand yen/m² (up 1.0%) and the average unit space expanded to 59.62 m² (up 5.5%) due to a significant decrease in the supply of condominiums with studio units.

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

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

(2) Performance by Segment

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



Analysis of Financial Condition and Business Performance

Performance by segment is described below.

Billions of yen

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

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

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

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

Construction-Related Business

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

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

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

The segment posted sales of 611.9 billion yen, a year-on-year decrease of 3.0%, mainly due to the decrease in the volume of

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

Real Estate-Related Business

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

Service-Related Business

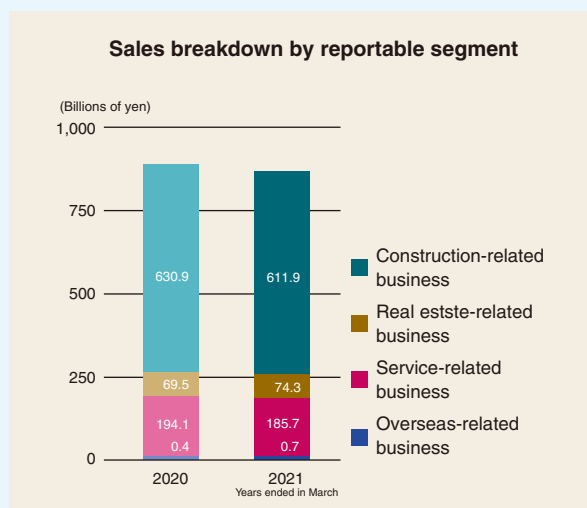
Sales and profits for large-scale repair work and interior remodeling decreased year on year, partly due to management associations suspending their activities in accordance with the first declaration of a state of emergency (issued in April 2020). Orders received surpassed the year-earlier results,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

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

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

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

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



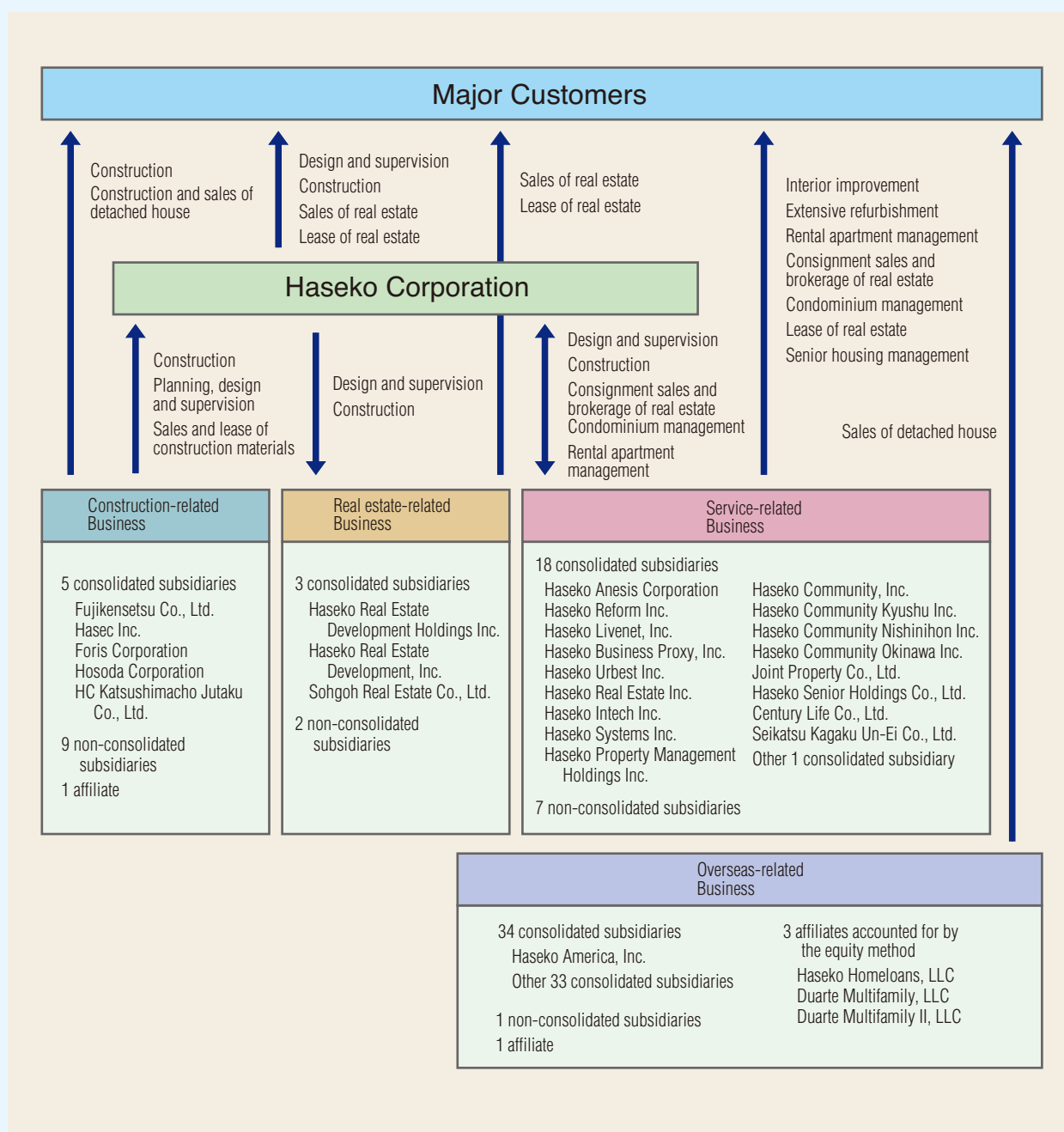
In the senior services business, the number of paid facilities for the elderly and housing for the elderly in operation totaled 2,281 units (down 1.3% year on year) due to restrictions on sales activities in accordance with the first declaration of a state of emergency, among other factors.

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

Overseas-Related Business

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

Business schematic of Haseko group’s reportable segments



(3) Financial Position

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

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

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

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

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

Construction-Related Business

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

Real Estate-Related Business

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

Service-Related Business

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

Overseas-Related Business

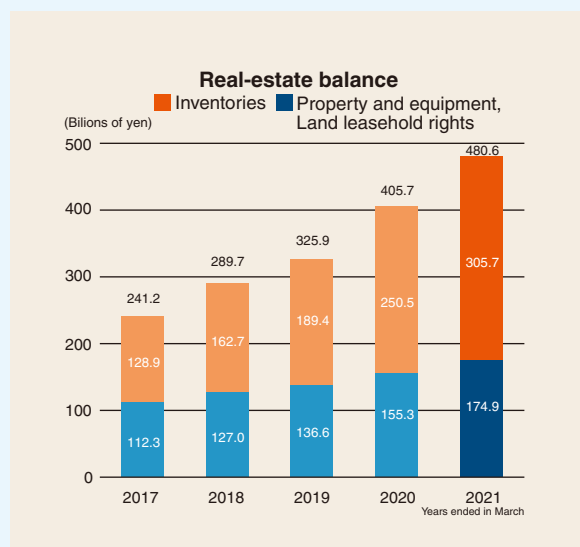
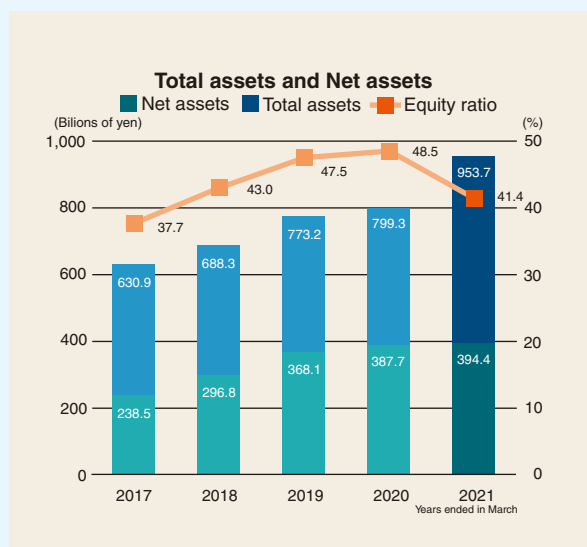
Assets of the Overseas-Related Business increased 8.9 billion yen from the end of the previous fiscal year to 49.0 billion yen as of the end of the fiscal year under review due to an increase in real estate for development in accordance with the development of retail facilities as well as equity investment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

Assets by segment are described below.

Billions of yen

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

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



(4) Cash Flows

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

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

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

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

The balance of cash and cash equivalents at the end of the fiscal year ended March 2021 increased significantly from the end of the previous fiscal year. The increase is mainly due to an increase in cash flows from operating activities as a result of an increase in deposits and collection of notes and accounts receivable, and an

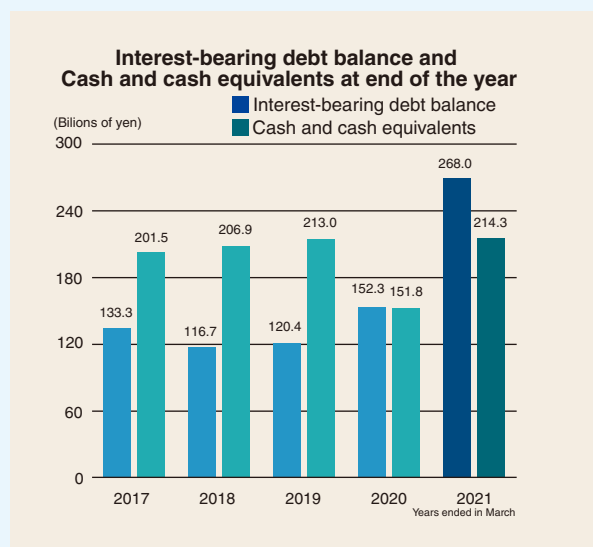
increase in cash flows from financing activities as a result of newly borrowing long-term debt and newly issuing corporate bonds.

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

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

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

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



Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

AS OF MARCH 31, 2020 AND 2021

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2020	2021	2021
ASSETS			
Current Assets:			
Cash and bank deposits (Notes 5, 10 and 15)	¥152,531	¥216,107	\$1,952,010
Notes and accounts receivable, trade (Notes 5 and 10)	141,415	132,346	1,195,434
Marketable securities (Notes 5, 6 and 10)	3,260	516	4,660
Costs on uncompleted construction contracts	11,046	10,774	97,317
Inventories (Notes 7 and 13)	250,453	305,703	2,761,293
Other current assets (Note 10)	13,756	24,175	218,363
Allowance for doubtful accounts (Note 5)	(128)	(94)	(852)
Total current assets	572,334	689,527	6,228,225
Property and Equipment (Notes 8 and 10)	153,391	173,010	1,562,734
Intangible Assets (Note 8)	8,292	9,858	89,040
Investments and Other Assets:			
Investment securities (Notes 5 and 6)	28,106	40,880	369,253
Long-term loans receivable (Note 5)	2,936	3,077	27,793
Net defined benefit asset (Note 17)	13,766	18,458	166,721
Deferred tax assets (Note 18)	7,478	5,803	52,416
Other assets	13,780	13,839	125,005
Allowance for doubtful accounts (Note 5)	(763)	(793)	(7,162)
Total investments and other assets	65,303	81,264	734,026
Total assets	¥799,319	¥953,659	\$8,614,025

See notes to consolidated financial statements.

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2020 AND 2021 LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2020	2021	2021
LIABILITIES			
Current Liabilities:			
Current portion of long-term debt (Notes 5 and 9)	¥ 4,171	¥ 5,971	\$ 53,931
Current portion of bonds (Notes 5 and 9)	10,000	—	—
Notes and accounts payable (Note 5)	83,619	87,095	786,691
Electronically recorded obligations (Note 5)	54,570	54,899	495,884
Income taxes payable (Notes 5 and 18)	3,359	15,397	139,078
Advances received on uncompleted construction contracts	18,725	17,636	159,297
Advances received for real estate sales	14,246	22,349	201,874
Warranty	4,195	4,303	38,865
Allowance for losses on construction contracts	47	151	1,365
Accrued bonuses for employees	4,756	4,797	43,327
Accrued bonuses for directors	146	127	1,149
Other current liabilities	49,511	59,238	535,074
Total current liabilities	247,346	271,963	2,456,535
Long-term Liabilities:			
Straight bonds (Notes 5 and 9)	20,000	90,000	812,935
Long-term debt (Notes 5, 9, 10 and 16)	118,091	171,981	1,553,434
Liability for retirement benefits (Note 17)	1,375	1,361	12,292
Provision for loss on litigation	2,474	2,245	20,276
Provision for employee stock ownership plan (Note 3)	2,144	2,787	25,170
Provision for board benefit trust (Note 3)	324	347	3,135
Deferred tax liabilities (Note 18)	21	22	197
Other long-term liabilities	19,862	18,589	167,909
Total long-term liabilities	164,291	287,331	2,595,347
Total liabilities	411,637	559,294	5,051,883
Commitments and Contingent Liabilities (Notes 11 and 12)			
NET ASSETS (Notes 14 and 19)			
Shareholders' Equity:			
Capital stock	57,500	57,500	519,375
Capital surplus	7,623	7,373	66,599
Retained earnings	346,039	369,335	3,336,057
Treasury stock, at cost — 7,879,065 shares in 2020 — 24,231,920 shares in 2021	(9,975)	(31,353)	(283,203)
Total shareholders' equity	401,187	402,855	3,638,828
Accumulated Other Comprehensive Income:			
Net unrealized gain (loss) on other securities	(526)	4,254	38,429
Translation adjustments	(5,331)	(7,320)	(66,121)
Retirement benefits liability adjustments	(7,653)	(5,429)	(49,042)
Total accumulated other comprehensive income (loss)	(13,510)	(8,495)	(76,734)
Non-controlling Interests			
Total net assets	387,682	394,365	3,562,142
Total liabilities and net assets	¥799,319	¥953,659	\$8,614,025

See notes to consolidated financial statements.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED MARCH 31, 2020 AND 2021

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2020	2021	2021
Net Sales (Note 13)	¥846,029	¥809,438	\$7,311,335
Cost of Sales (Note 13)	699,268	673,207	6,080,813
Gross profit	146,762	136,231	1,230,523
Selling, General and Administrative Expenses (Note 13)	60,837	63,322	571,967
Operating Income	85,925	72,909	658,556
Non-operating Income (Expenses):			
Interest and dividend income	559	490	4,428
Equity in earnings of affiliates	1	0	4
Subsidy income	61	1,101	9,942
Interest expense	(901)	(1,353)	(12,222)
Bond issuance cost	(66)	(377)	(3,408)
Incidental expense for loan	(1,148)	(1,484)	(13,400)
Other, net	824	546	4,930
	(671)	(1,077)	(9,726)
Ordinary income	85,253	71,832	648,830
Special Income (Losses):			
Gain (loss) on disposal or sales of property and equipment, net (Note 8)	4	(47)	(428)
Gain on negative goodwill	2,227	-	-
Impairment loss on fixed assets	(121)	(156)	(1,405)
Impairment loss on investment securities	(352)	(764)	(6,897)
Other, net	144	1	6
	1,902	(966)	(8,724)
Income before Income Taxes	87,155	70,866	640,106
Income Taxes (Note 18):			
Current	23,578	22,994	207,696
Deferred	3,662	(386)	(3,483)
	27,239	22,608	204,212
Net Income	59,916	48,258	435,893
Net Income Attributable to Non-controlling Interests	65	(0)	(3)
Net Income Attributable to Owners of Parent (Note 19)	¥ 59,851	¥ 48,258	\$ 435,896

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED MARCH 31, 2020 AND 2021

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2020	2021	2021
Net Income	¥59,916	¥48,258	\$435,893
Other Comprehensive Income			
Net unrealized gain (loss) on other securities	(5,581)	4,781	43,184
Translation adjustments	(562)	(1,989)	(17,965)
Retirement benefits liability adjustments	(733)	2,223	20,082
Total other comprehensive income (loss)	(6,876)	5,015	45,301
Comprehensive Income (Note 22)	53,040	53,273	481,194
Total Comprehensive Income Attributable to:			
Comprehensive income attributable to owners of parent	52,974	53,273	481,197
Comprehensive income attributable to non-controlling interests	65	(0)	(3)

See notes to consolidated financial statements.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEARS ENDED MARCH 31, 2020 AND 2021

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

For the year ended March 31, 2021

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	<i>(Millions of yen)</i>				
Balance at April 1, 2020	¥57,500	¥7,623	¥346,039	¥ (9,975)	¥401,187
Net income attributable to owners of parent for the year ended March 31, 2021	–	–	48,258	–	48,258
Cash dividend	–	–	(24,962)	–	(24,962)
Purchase of treasury stock	–	–	–	(21,524)	(21,524)
Disposal of treasury stock	–	0	–	146	146
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	(250)	–	–	(250)
Net changes in items other than those in shareholders' equity	–	–	–	–	–
Total changes during the year	–	(250)	23,296	(21,378)	1,668
Balance at March 31, 2021	¥57,500	¥7,373	¥369,335	¥(31,353)	¥402,855

	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, 2020	¥ (526)	¥(5,331)	¥(7,653)	¥(13,510)	¥ 6	¥387,682
Net income attributable to owners of parent for the year ended March 31, 2021	–	–	–	–	–	48,258
Cash dividend	–	–	–	–	–	(24,962)
Purchase of treasury stock	–	–	–	–	–	(21,524)
Disposal of treasury stock	–	–	–	–	–	146
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	–	–	–	(250)
Net changes in items other than those in shareholders' equity	4,781	(1,989)	2,223	5,015	(0)	5,015
Total changes during the year	4,781	(1,989)	2,223	5,015	(0)	6,683
Balance at March 31, 2021	¥4,254	¥(7,320)	¥(5,429)	¥(8,495)	¥ 5	¥394,365

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, 2020	\$519,375	\$68,859	\$3,125,634	\$ (90,102)	\$3,623,765
Net income attributable to owners of parent for the year ended March 31, 2021	–	–	435,896	–	435,896
Cash dividend	–	–	(225,473)	–	(225,473)
Purchase of treasury stock	–	–	–	(194,415)	(194,415)
Disposal of treasury stock	–	0	–	1,314	1,314
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	(2,260)	–	–	(2,260)
Net changes in items other than those in shareholders' equity	–	–	–	–	–
Total changes during the year	–	(2,260)	210,424	(193,100)	15,063
Balance at March 31, 2021	\$519,375	\$66,599	\$3,336,057	\$(283,203)	\$3,638,828

	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, 2020	\$ (4,756)	\$(48,155)	\$(69,123)	\$(122,034)	\$51	\$3,501,782
Net income attributable to owners of parent for the year ended March 31, 2021	–	–	–	–	–	435,896
Cash dividend	–	–	–	–	–	(225,473)
Purchase of treasury stock	–	–	–	–	–	(194,415)
Disposal of treasury stock	–	–	–	–	–	1,314
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	–	–	–	(2,260)
Net changes in items other than those in shareholders' equity	43,184	(17,965)	20,082	45,301	(3)	45,298
Total changes during the year	43,184	(17,965)	20,082	45,301	(3)	60,361
Balance at March 31, 2021	\$38,429	\$(66,121)	\$(49,042)	\$ (76,734)	\$48	\$3,562,142

See notes to consolidated financial statements.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED MARCH 31, 2020 AND 2021

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2020	2021	2021
Cash Flows from Operating Activities:			
Income before income taxes	¥87,155	¥ 70,866	\$ 640,106
Depreciation	4,752	5,266	47,567
Impairment loss on fixed assets	121	156	1,405
Increase (decrease) in provision for loss on litigation	(42)	(111)	(1,002)
Amortization of goodwill	203	203	1,835
Gain on negative goodwill	(2,227)	—	—
(Reversal of) provision of allowance for doubtful accounts	(47)	(4)	(35)
Interest and dividend income	(559)	(490)	(4,428)
Interest expense	901	1,353	12,222
Equity in earnings of affiliates	(1)	(0)	(4)
Gain on sale of investment securities	(139)	(1)	(6)
Impairment loss on investment securities	352	764	6,897
Gain on disposal or sale of property and equipment, net	(4)	47	428
Valuation loss on inventories	3,684	713	6,437
Changes in operating assets and liabilities			
Notes and accounts receivable	(1,262)	9,174	82,862
Costs on uncompleted construction contracts	(282)	272	2,457
Inventories	(56,030)	(53,151)	(480,094)
Notes, accounts payable and accrued expenses	(1,248)	3,832	34,610
Amounts received for uncompleted construction contracts	629	(1,089)	(9,834)
Deposits	(3,986)	11,395	102,927
Other	(6,047)	(5,906)	(53,351)
Subtotal	25,923	43,288	390,999
Interest and dividends received	554	516	4,662
Interest paid	(946)	(1,306)	(11,796)
Income taxes paid	(40,794)	(10,622)	(95,940)
Net Cash (Used for) Provided by Operating Activities	(15,263)	31,876	287,925
Cash Flows from Investing Activities:			
Payment for purchase of securities	(7,064)	—	—
Proceeds from redemption of securities	5,768	2,064	18,641
Purchases of property and equipment and intangible assets	(25,061)	(29,818)	(269,334)
Proceeds from sales of property and equipment and intangible assets	100	8	70
Payment for purchase of investment securities	(10,311)	(8,254)	(74,554)
Proceeds from sale of investment securities	334	16	143
Payment for acquisition of shares of subsidiaries resulting in change in scope of consolidation	(963)	—	—
Payment for loans receivable	(4,341)	(4,691)	(42,369)
Collection of loans receivable	4,498	4,605	41,591
Payment for lease deposits	(740)	(802)	(7,246)
Collection of lease deposits	678	720	6,505
Other	(121)	381	3,442
Net Cash Used for Investing Activities	(37,222)	(35,772)	(323,111)
Cash Flows from Financing Activities:			
Decrease in short-term borrowings, net	(1,805)	—	—
Increase in long-term debt	50,000	60,000	541,956
Repayment of long-term debt	(21,635)	(4,311)	(38,937)
Bonds issuance	10,000	70,000	632,283
Redemption of bonds	(10,000)	(10,000)	(90,326)
Bond issuance cost	(66)	(377)	(3,408)
Purchase of treasury stock	(5,448)	(21,524)	(194,415)
Incidental expenses for loan	(1,161)	(1,485)	(13,416)
Cash dividends paid	(27,053)	(24,962)	(225,473)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(989)	(286)	(2,583)
Other	(198)	(256)	(2,314)
Net Cash (Used for) Provided by Financing Activities	(8,356)	66,799	603,368
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(385)	(359)	(3,240)
Net Increase (Decrease) in Cash and Cash Equivalents	(61,226)	62,545	564,942
Cash and Cash Equivalents at Beginning of the Year	212,980	151,754	1,370,737
Cash and Cash Equivalents at End of the Year (Note 15)	151,754	¥214,299	\$1,935,679

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, 2020 and 2021

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, 2021, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 60 and 3 (58 and 2 in 2020), 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.

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(12) Accrued bonuses for directors

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

(13) Provision for loss on litigation

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

(14) Provision for employee stock ownership plan

In order to prepare for the provision of the Company's shares to its employees, estimated amounts of benefits earned in the fiscal year ended March 31, 2021 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, 2021 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 treatment for advertising expenses

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

(26) Significant accounting estimates

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 by using the percentage-of-completion method, valuation of real estate inventories and impairment losses on fixed assets, etc., based on the information available as of March 31, 2021 and assuming that such impact will continue in the next fiscal year ending March 31, 2022.

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1. Revenue recognition by using the percentage-of-completion method

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2021	2021
Revenue from construction contracts calculated by using the percentage-of-completion method	¥435,427	\$3,933,041

Note: Revenue from construction contracts calculated by using the percentage-of-completion method in the non-consolidated financial statements for the fiscal year ended March 31, 2021 was ¥406,492 million (\$3,671,681 thousand).

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

1) Calculation method

The Company rationally estimates total revenues and costs on construction contracts as well as progress of construction as of March 31, 2021 and, in accordance with these, recognizes construction contracts for the fiscal year ended March 31, 2021.

2) Significant assumptions

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

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

If there is a change in the progress of construction due to the incurrance of additional costs, etc., it may pose a significant impact on the revenue from construction contracts in the consolidated financial statements of the next fiscal year.

2. Valuation of real estate inventories

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2021	2021
Valuation loss on real estate inventories	¥ 713	\$ 6,437
Real estate for sale	166,708	1,505,806
Costs and advances for real estate operations	113,272	1,023,146
Real estate for development projects	25,723	232,342

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

1) Calculation method

If the net realizable value of real estate inventories as of March 31, 2021 is lower than the acquisition costs, the net selling price is the value recorded in the balance sheet, and the difference is recorded as valuation losses on real estate inventories.

2) Significant assumptions

The net realizable value is calculated on the basis of estimated sales price and estimated selling expenses, etc. In addition, net realizable value is estimated by taking into account the transaction cases, estimated sales price and condominium demand forecast in neighboring areas.

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

If it becomes necessary to review the net realizable value due to changes in future economic conditions, etc., additional valuation loss on real estate inventories may be recorded in the consolidated financial statements for the next fiscal year.

3. Impairment loss on fixed assets

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2021	2021
Impairment loss	¥ 156	\$ 1,405
Property and equipment	173,010	1,562,734
Intangible fixed assets	9,858	89,040

2) Other information that contributes to understanding the content of accounting estimates

1) Calculation method

For the assets for which it is determined that impairment loss should be recognized as of March 31, 2021, the book value is reduced to the recoverable amount and the difference is recorded as impairment loss.

2) Significant assumptions

The recoverable amount is the higher of the net realizable value or the value in use. The net realizable value is calculated on the basis of real estate appraisal value, etc., and the value in use is calculated on the basis of future cash flows and discount rates, etc.

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

If it becomes necessary to revisit the net realizable value, future cash flows and discount rate due to changes in future economic conditions, etc., additional impairment losses may be recorded in the consolidated financial statements for the next fiscal year.

(27) 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 26, 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

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(2) Planned date of application

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

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

The application of this accounting standards such as "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" would not have an impact on the consolidated financial statements for the next fiscal year.

3. Supplemental Information (Changes in presentation)

The Company applied the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31 issued on March 31, 2020) to its consolidated financial statements for the fiscal year ended March 31, 2021, and included the notes on significant accounting estimates in the consolidated financial statements.

However, comparative information for the previous fiscal year is not included in the note in accordance with the transitional measures stipulated in the provision of Article 11 of said Accounting Standard.

(Notes to consolidated statement of income)

"Subsidy income" and "Bond issuance cost," which were included in "Other, net" in "Non-operating income (expenses)" for the fiscal year ended March 31, 2020, have been presented separately from the fiscal year ended March 31, 2021 due to an increase in their quantitative materiality. Also, "Dividend income of insurance," which was presented in "Non-operating income (expenses)" for the fiscal year

ended March 31, 2020, has decreased in quantitative materiality, and thus is included in "Other, net" for the fiscal year ended March 31, 2021. In order to reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been restated.

As a result, ¥581 million presented as "Other, net" and ¥237 million presented as "Dividend income of insurance" in "non-operating income (expenses)" in the consolidated statement of income for the fiscal year ended March 31, 2020 has been reclassified as ¥61 million in "Subsidy income," ¥(66) million in "Bond issuance cost," and ¥824 million in "Other, net."

(Notes to consolidated statement of cash flows)

"Bond issuance cost," which was included in "Other" in "Cash flows from financing activities" for the fiscal year ended March 31, 2020, has been presented separately from the fiscal year ended March 31, 2021 due to an increase in its quantitative materiality. In order to reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been restated.

As a result, ¥(264) million presented as "Other," in "Cash flows from financing activities" in the consolidated statement of cash flows for the fiscal year ended March 31, 2020 has been reclassified as ¥(66) million in "Bond issuance cost," and ¥(198) million in "Other."

(Additional information)

(Accounting policies and procedures adopted in cases where the relevant provisions set forth in accounting standards and other regulations are not clear)

The Company applied the revised "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No.24 issued on March 31, 2020) for the fiscal year ended March 31, 2021, and disclosed (25) Accounting treatment for advertising expenses in Note 2, Summary of Significant Accounting Policies.

(Performance-linked stock compensation system)

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

1. BBT Scheme

(1) Outline of the transaction

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

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

The Company has continued to 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.

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The book value of said shares of treasury stock was ¥736 million and ¥651 million (\$5,879 thousand) as of March 31, 2020 and 2021, respectively, with the number of shares totaling 547,500 and 484,000 shares, respectively. The weighted average number of shares outstanding for the years ended March 31, 2020 and 2021 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).

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 ¥3,627 million and ¥3,567 million (\$32,220 thousand) as of March 31, 2020 and 2021, respectively, with the number of shares totaling 2,602,700 and 2,559,700 shares, respectively. The weighted average number of shares outstanding for the years ended March 31, 2020 and 2021 were 2,604,774 and 2,563,667 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.

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, 2021, which was ¥110.71=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, 2020 and 2021, 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		
	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	¥ -	¥ -	¥ -

	Millions of yen		
	2021		
	Carrying value	Fair value	Difference
Cash and bank deposits	¥216,107	¥216,107	¥ -
Notes and account receivable, trade	132,346	132,404	57
Securities	516	516	-
Investment securities	21,191	21,191	0
Long-term loans receivable	3,077		
Allowance for doubtful accounts	(24)		
Sub-total	3,053	3,147	94
Total	¥373,213	¥373,365	¥152
Notes and accounts payable	87,095	87,094	(1)
Electronically recorded obligations	54,899	54,899	-
Current portion of long-term debt	5,971	5,984	13
Income taxes payable	15,397	15,397	-
Straight bonds	90,000	89,934	(66)
Long-term debt	171,981	172,071	91
Total	¥425,343	¥425,380	¥ 37
Derivatives	¥ -	¥ -	¥ -

Thousands of U.S. dollars

	2021		
	Carrying value	Fair value	Difference
Cash and bank deposits	\$1,952,010	\$1,952,010	\$ -
Notes and account receivable, trade	1,195,434	1,195,953	519
Securities	4,660	4,660	-
Investment securities	191,408	191,408	0
Long-term loans receivable	27,793		
Allowance for doubtful accounts	(217)		
Sub-total	27,576	28,427	851
Total	\$3,371,088	\$3,372,459	\$1,371
Notes and accounts payable	786,691	786,685	(6)
Electronically recorded obligations	495,884	495,884	-
Current portion of long-term debt	53,931	54,047	116
Income taxes payable	139,078	139,078	-
Straight bonds	812,935	812,339	(596)
Long-term debt	1,553,434	1,554,254	820
Total	\$3,841,954	\$3,842,287	\$ 333
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
	2020	2021	2021
Equity securities of affiliates	¥6,524	¥9,761	\$88,168
Unlisted securities	9,797	9,928	89,677

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, 2020 and 2021

	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

	Millions of yen				
	2021				
	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	¥216,107	¥ –	¥ –	¥ –	¥216,107
Notes and accounts receivable, trade	116,296	14,859	1,192	–	132,346
Securities:					
Negotiable certificate of deposits	516	–	–	–	516
Investment securities:					
Other securities with maturity dates					
Japanese government bonds, etc.	5	–	–	–	8
Long-term loans receivable	1,572	1,235	131	139	3,077
Total	¥334,496	¥16,093	¥1,323	¥139	¥352,051

	Thousands of U.S. dollars				
	2021				
	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	\$1,952,010	\$ –	\$ –	\$ –	\$1,952,010
Notes and accounts receivable, trade	1,060,453	134,214	10,767	–	1,195,434
Securities:					
Negotiable certificate of deposits	4,660	–	–	–	4,660
Investment securities:					
Other securities with maturity dates					
Japanese government bonds, etc.	45	–	–	–	45
Long-term loans receivable	14,021	11,152	1,183	1,258	27,793
Total	\$3,021,369	\$145,365	\$11,950	\$1,258	\$3,179,942

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4) Repayment schedule for short-term borrowings, straight bonds, long-term debt, and lease obligations at March 31, 2020 and 2021

	Millions of yen			Millions of yen		
	2020			2021		
	Short-term borrowings	Straight bonds	Long-term debt	Short-term borrowings	Straight bonds	Long-term debt
Due within 1 year	¥-	¥10,000	¥ 4,171	¥-	¥ -	¥ 5,971
Due after 1 year through 2 years	-	-	5,971	-	-	31,981
Due after 2 years through 3 years	-	-	32,121	-	20,000	10,000
Due after 3 years through 4 years	-	-	10,000	-	-	10,000
Due after 4 years through 5 years	-	-	-	-	20,000	20,000
Due after 5 years	-	20,000	70,000	-	50,000	100,000

	Thousands of U.S. dollars		
	2021		
	Short-term borrowings	Straight bonds	Long-term debt
Due within 1 year	\$-	\$ -	\$ 53,931
Due after 1 year through 2 years	-	-	288,869
Due after 2 years through 3 years	-	180,652	90,326
Due after 3 years through 4 years	-	-	90,326
Due after 4 years through 5 years	-	180,652	180,652
Due after 5 years	-	451,630	903,261

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Investment securities	¥5,227	¥9,191	\$83,019
Other securities	1,297	570	5,148

6. Marketable Securities and Investment Securities

(1) Marketable securities classified as held-to-maturity debt securities as of March 31, 2020 and 2021 consisted of the following:

	Millions of yen					
	2020			2021		
	Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value	¥ 5	¥ 5	¥0	¥ 5	¥ 5	¥0
Securities whose fair value does not exceed their carrying value	3,260	3,260	-	516	516	-
Total	¥3,265	¥3,265	¥0	¥521	¥521	¥0

	Thousands of U.S. dollars		
	2021		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value	\$ 45	\$ 45	\$0
Securities whose fair value does not exceed their carrying value	4,660	4,660	-
Total	\$4,705	\$4,706	\$0

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(2) Other securities whose fair value is available as of March 31, 2020 and 2021 consisted of the following:

	<i>Millions of yen</i>					
	2020			2021		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
(Securities whose carrying value exceeds their acquisition cost)						
Equity securities	¥ 1,604	¥ 226	¥ 1,378	¥20,530	¥14,722	¥5,808
Other	-	-	-	-	-	-
Sub-total	¥ 1,604	¥ 226	¥ 1,378	¥20,530	¥14,722	¥5,808
(Securities whose carrying value does not exceeds their acquisition cost)						
Equity securities	¥ 9,484	¥10,941	¥(1,457)	¥ -	¥ -	¥ -
Other	692	745	(52)	656	745	(88)
Sub-total	¥10,177	¥11,686	¥(1,509)	¥ 656	¥ 745	¥ (88)
Total	¥11,780	¥11,912	¥ (132)	¥21,186	¥15,466	¥5,720

	<i>Thousands of U.S. dollars</i>		
	2021		
	Carrying value	Acquisition cost	Unrealized gain (loss)
(Securities whose carrying value exceeds their acquisition cost)			
Equity securities	\$185,435	\$132,974	\$52,461
Other	-	-	-
Sub-total	\$185,435	\$132,974	\$52,461
(Securities whose carrying value does not exceeds their acquisition cost)			
Equity securities	\$ -	\$ -	\$ -
Other	5,928	6,726	(797)
Sub-total	\$ 5,928	\$ 6,726	\$ (797)
Total	\$191,363	\$139,700	\$51,664

(3) Other securities sold for the years ended March 31, 2020 and 2021 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2021	2021
Equity securities:			
Proceeds from sales	¥334	¥16	\$143
Gain on sales	139	1	6
Loss on sales	-	-	-

For the fiscal year ended March 31, 2021

The Company recorded impairment losses of ¥764 million (\$6,897 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.

4) Impairment of investment in securities

For the fiscal year ended March 31, 2020

The Company recorded impairment losses of ¥352 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.

7. Inventories

Inventories as of March 31, 2020 and 2021 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2021	2021
Real estate for sale	¥124,881	¥166,708	\$1,505,806
Costs and advances for real estate operations	102,379	113,272	1,023,146
Real estate for development projects	23,193	25,723	232,342
	<u>¥250,453</u>	<u>¥305,703</u>	<u>\$2,761,293</u>

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8. Property and Equipment and Intangible Assets

(1) Property and equipment as of March 31, 2020 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Buildings and structures	¥ 74,821	¥82,382	\$744,128
Machinery, vehicles, equipment and furniture	9,593	9,707	87,679
Land	91,029	100,156	904,674
Leased assets	1,349	1,274	11,509
Construction in progress	3,144	9,105	82,243
Sub-total	179,937	202,625	1,830,234
Accumulated depreciation	(26,546)	(29,615)	(267,500)
	<u>¥153,391</u>	<u>¥173,010</u>	<u>\$1,562,734</u>

(2) Intangible assets as of March 31, 2020 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Land leasehold rights	¥1,877	¥1,876	\$16,942
Goodwill	2,793	2,590	23,397
Other	3,622	5,392	48,701
	<u>¥8,292</u>	<u>¥9,858</u>	<u>\$89,040</u>

(3) Net gain (loss) on disposal or sales of property and equipment and intangible assets for the years ended March 31, 2020 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2020	2020
Buildings and structures	¥(3)	¥(27)	\$(244)
Machinery, vehicles, equipment and furniture	(3)	(14)	(129)
Land	13	2	19
Leased assets	(2)	(1)	(9)
Other	(1)	(7)	(65)
	<u>¥ 4</u>	<u>¥(47)</u>	<u>\$(428)</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, 2020 and 2021:

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

2021

Use	Type	Location	Number of instances
Real estate for construction-related business	Land	Tsukuba-shi, Ibaraki	1
Asset for construction-related business	Equipment and furniture	Minato-ku, Tokyo	1
Real estate for service-related business	Buildings, etc.	Kohoku-ku, Yokohama-shi, etc.	10
Asset for service-related business	Machinery, equipment and furniture etc.	Suginami-ku, Tokyo, etc.	12

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

(2020)

The decline 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 those assets have been written down to their recoverable amounts, resulting in impairment losses on fixed assets of ¥121 million for the year ended March 31, 2020, which were presented as "Special Losses" on the consolidated statement of income.

(2021)

The decline economic performance and the decision to suspend of the usage, etc., in the year ended March 31, 2021 triggered the recognition of impairment, and the carrying values of those assets have been written down to their recoverable amounts, resulting in impairment losses on fixed assets of ¥156 million (\$1,405 thousand) for the year ended March 31, 2021, 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
	2020	2021	2021
Buildings and structures	¥ 77	¥112	\$1,011
Equipment and furniture	29	39	354
Land	0	1	7
Leased assets	8	3	24
Intangible assets	7	1	9
	<u>¥121</u>	<u>¥156</u>	<u>\$1,405</u>

(2020)

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.

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(2021)

The recoverable amount of real estate for construction-related business is measured by the net selling price calculated on the basis of transaction cases, etc. The recoverable amount of assets for construction-related business is measured by the value in use, and is calculated by discounting future cash flows with a certain discount rate set by the Company. The recoverable amount of real estate for service-related business and assets for service-related business is measured by the value in use. However, the value in use is set as zero because the valuation based on future cash flows is expected to be negative. Moreover, the discount rate is omitted as undiscounted 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, 2020 and 2021 were ¥2,088 million and ¥1,877 million (\$16,951 thousand), respectively. Gains on sales (recorded as "Special Income") was ¥24 million for the year ended March 31, 2020.

Income from the leasing business is recorded as leasing and management revenue and expenses for the leasing business are recorded as leasing and management expenses. Changes in the recorded amount of rental properties, etc. in the consolidated balance sheet during the year and fair value as of the end of the fiscal year are as follows.

	Millions of yen		Thousands of U.S. dollars	
	2020	2021	2020	2021
Book value:				
Balance at the beginning of the year	¥ 84,593	¥103,025	\$ 930,581	
Increase/decrease	18,431	20,980	189,508	
Balance at the end of the year	103,025	124,005	1,120,089	
Fair value	¥113,633	¥138,445	\$1,250,521	

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, 2020, the increase is primarily attributable to acquisition of real estate (¥21,480 million) and to transfer to rental properties (¥712 million) and the decrease is primarily attributable to transfer to real estate for sale (¥2,419 million) and depreciation (¥922 million).
Of the amount of increase (decrease) for the year ended March 31, 2021, the increase is primarily attributable to acquisition of real estate (¥27,030 million, \$244,150 thousand) and the decrease is primarily attributable to transfer to real estate for sale (¥6,152 million, \$55,569 thousand) and depreciation (¥1,209 million, \$10,923 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, 2020 and 2021:

	Average interest rate	Millions of yen		Thousands of U.S. dollars	
		2019	2020	2020	2020
Short-term borrowings	-	¥ -	¥ -	\$ -	\$ -
Current portion of long-term debt	0.68%	4,171	5,971	53,931	
Current portion of lease obligations	1.79%	217	168	1,516	
Straight bond due Jul. 22, 2020	0.41%	10,000	-	-	
Straight bond due Nov. 1, 2028	0.52%	10,000	10,000	90,326	
Straight bond due Jul. 19, 2029	0.35%	10,000	10,000	90,326	
Straight bond due Jul. 11, 2025	0.24%	-	20,000	180,652	
Straight bond due Jul. 12, 2030	0.47%	-	20,000	180,652	
Straight bond due Nov. 27, 2023	0.03%	-	20,000	180,652	
Straight bond due Nov. 26, 2027	0.30%	-	10,000	90,326	
Long-term debt due from 2022 to 2035	0.67%	118,091	171,981	1,553,434	
Lease obligations due from 2022 to 2027	1.66%	266	202	1,821	
Total		¥152,746	¥268,321	\$2,423,638	

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, 2021 were as follows:

Year ending March, 31	Millions of yen				Thousands of U.S. dollars	
	Straight bonds	Long-term debt	Lease obligations	Total	Total	Total
2023	¥ -	¥ 31,981	¥ 96	¥ 32,007	\$ 289,735	
2024	20,000	10,000	60	30,060	271,520	
2025	-	10,000	26	10,046	90,562	
2026	20,000	20,000	14	40,014	361,434	
2027 and thereafter	50,000	100,000	5	150,005	1,351,939	
Total	¥90,000	¥171,981	¥202	¥262,182	\$2,368,190	

- (3) The Company has committed lines of credit available for immediate and stable borrowings with certain five financial institutions as of March 31, 2020 and 2021. The lines of credit and unused lines of credit as of March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2020	2021	2020	2021
Line of credit	¥63,000	¥63,000	\$569,054	
Amount utilized	-	-	-	
Unused line of credit	¥63,000	¥63,000	\$569,054	

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(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, 2020 based on this agreement was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Overdraft limit	¥1,300	¥-	\$-
Amount utilized	-	-	-
Amount unused	¥1,300	¥-	\$-

10. Collateral

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Cash and bank deposits	¥350	¥-	\$-

Secured liabilities as of March 31, 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Other current liabilities	¥350	¥-	\$-

(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
	2020	2021	2021
Notes and accounts receivable, trade	¥2,078	¥1,388	\$12,534
Buildings and structures	53	50	453
Other current assets	15	10	92
	¥2,146	¥1,448	\$13,079

Secured liabilities as of March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Current portion of long-term debt	¥ 636	¥ 636	\$ 5,742
Long-term debt	1,271	636	5,742
	¥1,907	¥1,271	\$11,484

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

(2020)

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.

(2021)

Shares of HC Katsushimacho Jutaku Co., Ltd. (¥9 million, \$81 thousand) owned by Haseko Corporation and Haseko Community Inc.

Loans receivable (¥157 million, \$1,418 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, 2020 and 2021 as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Customers using housing loans and other loans to purchase real estate	¥38,480	¥45,518	\$411,149

12. Lease Transactions

(1) Finance lease transactions

(a) Details of leased assets

Fixed Assets are mainly assets for 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, 2020 and 2021 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Within one year	¥ 1,953	¥ 1,568	\$ 14,162
Over one year	13,291	12,848	116,055
Total	¥15,244	¥14,416	\$130,217

(As lessor)

Outstanding future minimum lease income under noncancelable operating leases as of March 31, 2020 and 2021 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Within one year	¥ 1,439	¥ 2,097	\$ 18,943
Over one year	15,724	18,042	162,965
Total	¥17,164	¥20,139	\$181,907

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13. Supplementary Profit and Loss Information

(1) Revenue from construction contracts calculated by using the percentage-of-completion method were ¥476,863 million and ¥435,427 million (\$3,933,041 thousand) for the years ended March 31, 2020 and 2021, respectively.

(2) Allowance for losses on construction contracts included in cost of sales for the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Construction contracts	¥ 1	¥64	\$580
Design and supervision	39	81	734

(3) Valuation losses on inventories included in cost of sales for the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Real estate	¥3,684	¥713	\$6,437

(4) Selling, general and administrative expenses for the years ended March 31, 2020 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Salaries and allowances	¥21,122	¥21,757	\$196,519
Provision for bonuses for employees	1,928	1,934	17,467
Provision for bonuses for directors	146	127	1,149
Provision for employee stock ownership plan	326	369	3,330
Provision for board benefit trust	110	96	866
Retirement benefit expenses	979	971	8,772
Rent	3,295	3,579	32,331
Depreciation	1,815	2,095	18,921
Amortization	203	203	1,835
Other	30,913	32,192	290,776
Total	¥60,837	¥63,322	\$571,967

(2) Dividends

(a) Dividends paid

In the year ended March 31, 2020

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 27, 2019 (Note1)	Common stock	¥21,024	¥70.00	March 31, 2019	June 28, 2019
Board of Directors on November 8, 2019 (Note 2)	Common stock	¥ 6,012	¥20.00	September 30, 2019	December 5, 2019

Notes:

- 1) The total amount of dividends includes ¥225 million as dividends to the Company's shares held by the BBT and the Stock-Granting ESOP as trust assets.
- 2) The total amount of dividends includes ¥63 million as dividends to the Company's shares held by the BBT and the Stock-Granting ESOP as trust assets.

(5) Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Research and development costs	¥3,034	¥3,905	\$35,273

14. Net Assets

(1) Shares issued and treasury stock

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

	Number of shares			
	2019	Increase	Decrease	2020
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:

- 1) Increase in treasury stock due to the request by shareholders for purchase of shares less than one standard unit.
- 2) 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, 2021 were as follows:

	Number of shares			
	2020	Increase	Decrease	2021
Shares issued:				
Common stock	300,794,397	—	—	300,794,397
Treasury stock:				
Common stock (Notes 1 and 2)	7,879,065	16,459,515	106,660	24,231,920

Notes:

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

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In the year ended 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 (Note1)	Common stock	¥14,803	\$133,712	¥50.00	\$0.45	March 31, 2020	June 29, 2020
Board of Directors on November 12, 2020 (Note 2)	Common stock	¥10,159	\$ 91,760	¥35.00	\$0.32	September 30, 2020	December 4, 2020

Notes:

- 1) The total amount of dividends includes ¥158 million (\$1,423 thousand) as dividends to the Company's shares held by the BBT and the Stock-Granting ESOP as trust assets.
- 2) The total amount of dividends includes ¥107 million (\$962 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, 2021 and the effective date in the year ending March 31, 2022

Resolution	Type of shares	Total amount of dividend		Dividend per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
Annual meeting of shareholders on June 29, 2021 (Note)	Common stock	¥9,786	\$88,395	¥35.00	\$0.32	March 31, 2021	June 30, 2021

Note: The total amount of dividends includes ¥107 million (\$962 thousand) as dividends to the Company's shares held by the BBT and the Stock-Granting ESOP as trust assets.

15. Cash and Cash Equivalents

(1) A reconciliation between cash and cash equivalents on the consolidated statement of cash flows and the cash and bank deposits on the consolidated balance sheet as of March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Cash and bank deposits	¥152,531	¥216,107	\$1,952,010
Time deposits pledged as collateral	(350)	-	-
Saving accounts for insurance agency	(826)	(606)	(5,472)
Negotiable certificates of deposit, which were included in Securities	543	-	-
Restricted deposit	(144)	(1,202)	(10,860)
Cash and cash equivalents	¥151,754	¥214,299	\$1,935,679

acquisition of shares of subsidiaries resulting in change in the scope of consolidation are as follows:

	Millions of yen
	2020
Current assets	¥ 9,753
Fixed assets	1,915
Current liabilities	(6,778)
Long-term liabilities	(476)
Negative goodwill	(2,227)
Acquisition price of Hosoda Corporation shares	2,186
Cash and cash equivalents of Hosoda Corporation	(1,223)
Difference:	
Payment for acquisition of shares of subsidiaries resulting in change in the scope of consolidation	963

(2) 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

(3) 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 for decrease in short-term borrowings, net, and ¥3,525 million for repayment of long-term debt.

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16. Derivative Transactions

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

			As of March 31, 2020		
Hedge accounting method	Hedging instrument	Hedged item	Notional amount	Of which, maturing after one year	Fair value
<i>(Millions of yen)</i>					
Special treatment of interest rate swaps	Interest rate swap transaction Pay fixed / Receive floating	Long-term debt	¥67,795	¥64,580	(Note)
			As of March 31, 2021		
Hedge accounting method	Hedging instrument	Hedged item	Notional amount	Of which, maturing after one year	Fair value
<i>(Millions of yen)</i>					
Special treatment of interest rate swaps	Interest rate swap transaction Pay fixed / Receive floating	Long-term debt	¥94,580	¥91,365	(Note)
<i>(Thousands of U.S. dollars)</i>					
			\$854,304	\$825,264	

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, 2020 and 2021.

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, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at the beginning of the year	¥53,833	¥55,956	\$505,430
Service cost	2,917	3,038	27,440
Interest cost	104	115	1,043
Actuarial gain or loss	195	1,059	9,562
Retirement benefit paid	(1,975)	(2,787)	(25,172)
Other	882	(132)	(1,189)
Balance at the end of the year	<u>¥55,956</u>	<u>¥57,250</u>	<u>\$517,113</u>

(2) The changes in plan assets during the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at the beginning of the year	¥65,382	¥68,347	\$617,353
Expected return on plan assets	1,600	1,665	15,035
Actuarial gain or loss	(1,638)	3,291	29,728
Contributions by the Company	3,911	3,481	31,440
Retirement benefits paid	(1,891)	(2,728)	(24,642)
Other	985	291	2,628
Balance at the end of the year	<u>¥68,347</u>	<u>¥74,346</u>	<u>\$671,542</u>

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(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, 2020 and 2021.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Funded retirement benefit obligation	¥ 54,913	¥ 55,990	\$ 505,737
Plan assets at fair value	(68,347)	(74,346)	(671,542)
	(13,434)	(18,356)	(165,805)
Unfunded retirement benefit obligation	1,043	1,259	11,376
Net liability for retirement benefits in the balance sheet	(12,391)	(17,097)	(154,429)
Liability for retirement benefits	1,375	1,361	12,292
Asset for retirement benefits	(13,766)	(18,458)	(166,721)
Net liability for retirement benefits in the balance sheet	¥(12,391)	¥(17,097)	\$(154,429)

(4) The components of retirement benefit expense for the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Service cost	¥ 2,733	¥ 2,596	\$ 23,445
Interest cost	104	115	1,043
Expected return on plan assets	(1,600)	(1,665)	(15,035)
Amortization of actuarial loss	1,104	1,123	10,143
Amortization of prior service cost	(354)	(146)	(1,319)
Retirement benefit expense	¥ 1,987	¥ 2,023	\$ 18,277

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, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Actuarial loss	¥ (354)	¥ (146)	\$(1,319)
Prior service cost	(730)	3,356	30,309
Total	¥(1,084)	¥3,210	\$28,991

(6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Unrecognized prior service cost	¥ (160)	¥ (14)	\$ (126)
Unrecognized actuarial loss	11,225	7,869	71,078
Total	¥11,065	¥7,855	\$70,952

(7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2020 and 2021 were as follows:

	2020	2021
Bonds	62%	58%
Stocks	14%	19%
Alternative investments (Note)	16%	16%
Life insurance general accounts, etc.	8%	7%
Total	100%	100%

Note: Alternative investments are mainly investments in hedge funds.

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

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

	2020	2021
Discount rates	0.2% - 1.0%	0.2% - 1.0%
Expected rates of return on plan assets	1.0% - 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, 2020 and 2021 were ¥15 million and ¥41 million (\$370 thousand), respectively.

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(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, 2020 and 2021 were ¥18 million and ¥38 million (\$350 thousand), respectively.

The most recent funded status was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Pension assets	¥ 3,670	¥ 3,314	\$ 30,450
Total of the amount of actuarial obligations under pension funding program and minimum policy reserves	5,415	4,989	45,845
Difference	<u>¥(1,745)</u>	<u>¥(1,675)</u>	<u>\$(15,395)</u>

The U.S. dollar amounts are calculated by the prevailing exchange rate on March 31, 2020, which was ¥108.83=U.S.\$1.

The average contribution ratio to total contributions made to all plans for the year ended March 31, 2019 and 2020 were 5.61% and 5.61%, respectively. This ratio does not accord with the actual contribution ratio of the Company group.

The differences of ¥(1,745) million as described above was due to prior service cost under pension funding programs ¥(1,655) million and special reserve fund ¥(90) million for the year ended March 31, 2019.

The differences of ¥(1,675) million (\$15,395) thousand as described above was due to prior service cost under pension funding programs ¥(1,476) million (\$13,559) thousand and special reserve fund ¥(200) million (\$1,837) thousand for the year ended March 31, 2020.

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, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Deferred tax assets:			
Allowance for doubtful accounts	¥ 617	¥ 212	\$ 1,917
Accrued business tax	741	886	8,000
Warranty	1,292	1,330	12,017
Accrued bonuses for employees	1,720	1,757	15,869
Liability for retirement benefits	448	497	4,489
Valuation loss on real estate for sale	5,311	4,789	43,253
Impairment loss on fixed assets	1,534	1,535	13,864
Valuation loss on investment securities	555	774	6,988
Revaluation of assets on consolidation	10,380	9,151	82,655
Consideration for business transfer	935	540	4,880
Provision for employee stock ownership plan	668	868	7,845
Tax loss carry forwards	4,414	3,646	32,930
Other	8,683	10,859	98,089
Sub-total	37,299	36,844	332,796
Valuation allowance pertaining to tax loss carry forwards	(3,988)	(3,213)	(29,021)
Valuation allowance pertaining to total deductible temporary difference	(19,914)	(19,310)	(174,420)
Valuation allowances (sub-total)	(23,903)	(22,523)	(203,441)
Total deferred tax assets	13,396	14,321	129,355
Deferred tax liabilities:			
Unrealized gain on other securities	(397)	(1,466)	(13,246)
Prepaid pension cost	(4,240)	(5,725)	(51,715)
Revaluation of assets on consolidation	(280)	(275)	(2,488)
Other	(1,022)	(1,072)	(9,686)
Total deferred tax liabilities	(5,939)	(8,540)	(77,135)
Net deferred tax assets	<u>¥ 7,457</u>	<u>¥ 5,781</u>	<u>\$ 52,219</u>

Notes:

1) Valuation loss on real estate for sale includes ¥43 million and ¥359 million (\$3,247 thousand) as of March 31, 2020 and 2021, 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, 2020

	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)	¥ 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)

(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 for tax loss carry forwards of ¥4,414 million (the amount multiplied by the statutory tax rate). The said deferred tax assets of ¥426 million represent the amount at which the Company recognized for part of the tax loss carry forwards totaling ¥4,414 million 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 for the fiscal year ended March 31, 2012, ¥14 million for the fiscal year ended March 31, 2013, ¥5 million for the fiscal year ended March 31, 2014, ¥1 million for the fiscal year ended March 31, 2015, ¥124 million for the fiscal year ended March 31, 2017, ¥130 million for the fiscal year ended March 31, 2018, ¥48 million for the fiscal year ended March 31, 2019 and ¥29 million 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.

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As of March 31, 2021

	<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)	¥ 264	¥184	¥ 56	¥ 151	¥134	¥ 2,856	¥ 3,646
Valuation allowance	(234)	(68)	(54)	(151)	(14)	(2,691)	(3,213)
Deferred tax assets	30	116	2	–	120	165	433 (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)	\$ 2,384	\$1,663	\$ 507	\$ 1,364	\$1,212	\$ 25,800	\$ 32,930
Valuation allowance	(2,115)	(612)	(492)	(1,364)	(129)	(24,309)	(29,021)
Deferred tax assets	268	1,051	16	–	1,083	1,490	3,909 (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 ¥433 million (\$3,909 thousand) for tax loss carry forwards of ¥3,646 million (\$32,930 thousand) (the amount multiplied by the statutory tax rate). The said deferred tax assets of ¥433 million (\$3,909 thousand) represent the amount at which the Company recognized for part of the tax loss carry forwards totaling ¥3,646 million (\$32,930 thousand) for Haseko Community Inc. and 13 other consolidated subsidiaries. The deferred tax assets recognized for the tax carry forwards resulted from losses of ¥30 million (\$268 thousand) for the fiscal year ended March 31, 2013, ¥116 million (\$1,051 thousand) for the fiscal year ended March 31, 2014, ¥2 million (\$16 thousand) for the fiscal year ended March 31, 2015, ¥120 million (\$1,083 thousand) for the fiscal year ended March 31, 2017, ¥54 million (\$491 thousand) for the fiscal year ended March 31, 2018, ¥71 million (\$643 thousand) for the fiscal year ended March 31, 2019, ¥28 million (\$256 thousand) for the fiscal year ended March 31, 2020 and ¥11 million (\$100 thousand) for the fiscal year ended March 31, 2021, 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.

2) The note of the reconciliation of the statutory tax rate to the effective income tax rate for the years ended March 31, 2020 and 2021 have been omitted because the differences between the statutory tax rate and the effective tax rate are less than 5% of the statutory tax rate.

19. Per Share Information

(1) Per share information as of and for the years ended March 31, 2020 and 2021 were as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2020	2021	2021
Net assets per share	¥1,323.51	¥1,425.93	\$12.88
Net income per share			
Basic	201.36	168.62	1.52
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>
	2020	2021	2021
Net income	¥59,851	¥48,258	\$435,896
Net income not attributable to owners of parent	–	–	–
Net income attributable to owners of parent	¥59,851	¥48,258	\$435,896
Weighted average number of shares outstanding (thousands of shares)	297,225	286,194	

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, 2020 and 2021 were 3,568 thousand and 14,599 thousand, respectively, including 3,159 and 3,063 thousand of shares held by the BBT and the Stock-Granting ESOP as trust assets in 2020 and 2021.

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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
	2020	2021	2021
Net assets	¥387,682	¥394,365	\$3,562,142
Amount not attributable to common shareholders:			
Non-controlling interests	6	5	48
Net assets attributable to common shareholders	¥387,677	¥394,359	\$3,562,094
Number of common shares of the end of the period used in the calculation of the net assets per share (thousands of shares)	292,915	276,562	

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, 2020 and 2021 were 7,879 thousand and 24,231 thousand, respectively, including 3,150 and 3,043 thousand of shares held by the BBT and the Stock-Granting ESOP as trust assets in 2020 and 2021.

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., "Real Estate-Related Business," which primarily engages in the real estate for sale and real estate leasing, "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.

From the first quarter ended June 30, 2020, "Real Estate-Related Business" was newly disclosed because The Company has positioned "Expansion of investment in real estate-related business" as one of its new focused strategies in the medium-term business plan that commenced in the current fiscal year. As a result, parts of the "Construction-Related Business" and the "Service-Related Business" have been classified into the "Real Estate-Related Business."

Furthermore, the segment information for the previous year ended March 31, 2020 has been reclassified in line with the revised group of segmentation.

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, 202 and 2021 were as follows:

	Millions of yen						
	2020						
	Reportable segments					Adjustments and eliminations (Note)	Consolidated
Construction-related business	Real estate-related business	Service-related business	Overseas-related business	Total			
Sales, income or loss and assets by reportable segments							
Sales to third parties	¥590,617	¥ 68,943	¥186,033	¥ 437	¥846,029	¥ -	¥846,029
Inter-segment sales and transfer	40,263	589	8,059	-	48,912	(48,912)	-
Net sales	630,880	69,532	194,092	437	894,941	(48,912)	846,029
Segment income (loss)	73,908	8,514	11,749	(3,777)	90,394	(4,612)	85,925
Segment assets	¥300,668	¥233,281	¥161,071	¥40,083	¥735,102	¥ 64,217	¥799,319
Other items							
Depreciation and amortization	¥ 1,314	¥ 1,200	¥ 2,069	¥ 11	¥ 4,594	¥ 158	¥ 4,752
Investment in equity-method affiliates	-	-	-	1,413	1,413	-	1,413
Capital expenditures	1,557	21,521	1,986	10	25,057	103	25,176

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Millions of yen

	2021						
	Reportable segments					Adjustments and eliminations (Note)	Consolidated
	Construction-related business	Real estate-related business	Service-related business	Overseas-related business	Total		
Sales, income or loss and assets by reportable segments							
Sales to third parties	¥556,859	¥73,226	¥178,649	¥ 703	¥809,438	¥ –	¥809,438
Inter-segment sales and transfer	55,070	1,051	7,061	–	63,182	(63,182)	–
Net sales	611,929	74,277	185,711	703	872,620	(63,182)	809,438
Segment income (loss)	64,620	8,511	6,953	(1,134)	78,950	(6,041)	72,909
Segment assets	¥324,116	¥304,706	¥186,737	¥48,952	¥864,512	¥ 89,146	¥953,659
Other items							
Depreciation and amortization	¥ 1,502	¥ 1,482	¥ 2,201	¥ 7	¥ 5,193	¥ 73	¥ 5,266
Investment in equity-method affiliates	–	–	–	2,480	2,480	–	2,480
Capital expenditures	1,585	26,120	2,498	818	31,022	(117)	30,905

Thousands of U.S. dollars

	2021						
	Reportable segments					Adjustments and eliminations (Note)	Consolidated
	Construction-related business	Real estate-related business	Service-related business	Overseas-related business	Total		
Sales, income or loss and assets by reportable segments							
Sales to third parties	\$5,029,890	\$ 661,421	\$1,613,670	\$ 6,354	\$7,311,335	\$ –	\$7,311,335
Inter-segment sales and transfer	497,422	9,492	63,783	–	570,697	(570,697)	–
Net sales	5,527,312	670,914	1,677,453	6,354	7,882,033	(570,697)	7,311,335
Segment income (loss)	583,689	76,875	62,800	(10,244)	713,121	(54,565)	658,556
Segment assets	\$2,927,615	\$2,752,293	\$1,686,725	\$442,168	\$7,808,801	\$ 805,224	\$8,614,025
Other items							
Depreciation and amortization	\$ 13,566	\$ 13,389	\$ 19,885	\$ 67	\$ 46,906	\$ 660	\$ 47,567
Investment in equity-method affiliates	–	–	–	22,399	22,399	–	22,399
Capital expenditures	14,319	235,931	22,566	7,392	280,208	(1,057)	279,151

Notes:

1) Adjustments and eliminations are as follows:

(2020)

- (1) Adjustments and eliminations for segment income include ¥(195) million of elimination of inter-segment transactions and ¥(4,274) 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 ¥(11,074) million of elimination of receivables stemming from inter-segment transactions and ¥75,291 million 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 compared with the end of the previous fiscal year.

(2021)

- (1) Adjustments and eliminations for segment income include ¥(1,620) million (\$ (14,636) thousand) of elimination of inter-segment transactions and ¥(4,421) million (\$ (39,929) 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 ¥(25,347) million (\$ (228,945) thousand) of elimination of receivables stemming from inter-segment transactions and ¥114,493 million (\$1,034,169 thousand) of corporate assets. Corporate assets are primarily comprised of cash and bank deposits of the Company.
- 2) Segment income has been adjusted with operating income in the consolidated statement of income.

2. Impairment loss on fixed assets by reportable segments for the years ended March 31, 2020 and 2021 were summarized as follows:

Millions of yen

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

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Millions of yen							
2021							
Reportable segments					Total	Adjustments and eliminations	Consolidated
Construction-related business	Real estate-related business	Service-related business	Overseas-related business				
Impairment loss on fixed assets	¥16	¥-	¥139	¥-	¥156	¥-	¥156

Thousands of U.S. dollars							
2021							
Reportable segments					Total	Adjustments and eliminations	Consolidated
Construction-related business	Real estate-related business	Service-related business	Overseas-related business				
Impairment loss on fixed assets	\$148	\$-	\$1,257	\$-	\$1,405	\$-	\$1,405

3. The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2020 and 2021 by reportable segment:

Millions of yen							
2020							
Reportable segments					Total	Adjustments and eliminations	Consolidated
Construction-related business	Real estate-related business	Service-related business	Overseas-related business				
Amortization	¥-	¥-	¥ 403	¥-	¥ 403	¥(200)	¥ 203
Balance as of March 31	¥-	¥-	¥3,043	¥-	¥3,043	¥(250)	¥2,793

Millions of yen							
2021							
Reportable segments					Total	Adjustments and eliminations	Consolidated
Construction-related business	Real estate-related business	Service-related business	Overseas-related business				
Amortization	¥-	¥-	¥ 403	¥-	¥ 403	¥(200)	¥ 203
Balance as of March 31	¥-	¥-	¥2,640	¥-	¥2,640	¥ (50)	¥2,590

Thousands of U.S. dollars							
2021							
Reportable segments					Total	Adjustments and eliminations	Consolidated
Construction-related business	Real estate-related business	Service-related business	Overseas-related business				
Amortization	\$-	\$-	\$ 3,642	\$-	\$ 3,642	\$(1,807)	\$ 1,835
Balance as of March 31	\$-	\$-	\$23,849	\$-	\$23,849	\$ (457)	\$23,397

(2020)

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 previous fiscal year was ¥2,227 million.

(2021)

Not applicable.

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, 2020 and 2021.

(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, 2020 and 2021.

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, 2020 and 2021.

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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, 2020 and 2021 and the amounts of these transactions for the years then ended are summarized as follows:

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 Director of Haseko Urbest	Purchase a condominium from a subsidiary of the Company (Notes 1 and 2)	Purchase a condominium from a subsidiary of the Company (Notes 1 and 2)	(Millions of yen) ¥23	—	—

Notes:

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

Fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

Not applicable.

22. Other Comprehensive Income

Reclassification adjustments and tax effects on components of other comprehensive income for the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Net unrealized gain (loss) on other securities:			
Amount arising during the year	¥(7,292)	¥5,851	\$52,848
Reclassification adjustments for gains (losses) recognized in net income	302	(1)	(6)
Amount before tax effect	(6,989)	5,850	52,842
Tax effect	1,408	(1,069)	(9,658)
Net unrealized gain (loss) on other securities	(5,581)	4,781	43,184
Translation adjustments:			
Amount arising during the year	(562)	(1,989)	(17,965)
Retirement benefits liability adjustments:			
Amount arising during the year	(1,833)	2,233	20,166
Reclassification adjustments for gains (losses) recognized in net income	749	977	8,825
Amount before tax effect	(1,084)	3,210	28,991
Tax effect	351	(986)	(8,909)
Retirement benefit liability adjustments	(733)	2,223	(20,082)
Share of other comprehensive income (loss) of affiliates accounted for by the equity method:			
Amount arising during the year	—	—	—
Total other comprehensive income (loss)	¥(6,876)	¥5,015	\$45,301



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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, 2021, 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, 2021, 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.

Key Audit Matters

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

Estimation of total construction costs in applying the percentage-of-completion method

Description of Key Audit Matter

The Company is primarily engaged in Construction related business, which involves the planning, design and construction of condominiums and other facilities. As described in the Note 2(20) to the Consolidated Financial Statements on the criteria for recognizing revenue from and costs of fulfilling construction contracts, the Company recognizes revenue from construction contracts the returns of which are deemed certain to the extent of progress as of the fiscal year end by using the percentage-of-completion method. Of the Net sales ¥ 809,438 million(\$ 7,311,335 thousand) for the fiscal year ended March 31, 2021, the amount of revenue from construction contracts recorded by using the percentage-of-completion method amounted to ¥ 406,492 million, representing 50.2% of Net Sales.



In using the percentage of completion method, the Company is required to reasonably estimate the total construction revenue, the total construction cost and the progress of the construction as of the fiscal year end. The progress of construction is to be measured by dividing the costs incurred to the fiscal year end by the total construction costs.

As described in the Note 2(26) (Significant Accounting Estimates) to the consolidated financial statements, estimation of total construction costs involves uncertainty since each construction is unique in nature because its basic design and work contents are specifically instructed by each customer and also it requires certain assumptions and judgments made by the in-charge department with expert knowledge and experience in constructions.

In addition, it involves complexity to revisit and update the estimation of total construction costs timely and appropriately. During a long period of a construction, there may be a sharp increase in costs of construction materials and labor or difficulties in their procurement as well as a decline in production capacity due to lack of sufficient number of other cooperative companies.

Therefore, we have determined the estimation of the total construction costs in applying the percentage-of-completion method to be a key audit matter since it involves management's judgment and also its amount is material in the Consolidated Financial Statements.

Auditor's Response

In assessing the estimation of the total construction costs in applying the percentage-of-completion method, we performed the following audit procedures, among others:

(1) Evaluation of the internal controls

In order to evaluate the effectiveness of the estimation process of the total construction costs, we evaluated the design and operating effectiveness of the following internal controls of the Company.

- The control ensuring the construction budgets, which serves as the basis for estimating the total construction costs, to be approved by officers with approval authority.
- The control ensuring the total construction costs to be revisited in a timely, appropriate and comprehensive manner by periodical monitoring of the responsible division in accordance with the execution status of the construction, the amount of actual costs incurred and the change of the specification due to specific instructions from the customers, etc.

(2) Assessment of the estimation of the total construction costs

- In order to confirm that the revised estimation of total construction costs in construction budgets is reflected in calculation of the construction progress in a timely and appropriate manner, we compared the total construction costs used in calculation of the construction progress with the results of revision made by the department in charge of the construction budget to evaluate consistency.
- In order to confirm that the estimation of total construction costs has been reviewed in a timely and appropriate manner, we assessed the changes in the profit margin of each construction project. When the changes exceeded our scope and were caused by the changes in the total construction costs, we inquired with the department in charge the reasons for such a change and evaluated if their responses were consistent with the construction plans and the actual construction costs



incurred to date.

- In order to confirm that all the events that should be reflected in the estimation of the total construction costs were reflected, we inspected the minutes of various meetings such as the Board of Directors and inquired the in-charge department and examined whether the identified events were reflected appropriately in the estimation of the total construction costs.

- In order to evaluate the reasonableness of the estimation of the total construction costs, we compared the construction budgets selected based on the our risk assessment taking into account the total construction revenue, construction profit and loss, nature of construction work, etc., with the estimation made independently by us based on the past performance of the construction works with similar building sizes and equipment specifications, etc. When a discrepancy exceeding the threshold set by us, was identified as a result of the comparison, we inquired the department in charge about the reason and examined whether their responses were consistent with the nature of the construction work , the contract terms, the market conditions for construction material and the quotation of the external contractor, etc.

- In order to evaluate the estimation process of the total construction costs, the initial estimate, the revised estimate and the actual amount of the total construction costs were compared with each other.



Valuation of the real estate inventories in Real estate related business

Description of Key Audit Matter

The Company and its consolidated subsidiaries, Haseko Real Estate Development, Inc. and Sohgo Real Estate Co., Ltd., are engaged in Real estate related business where they develop and sell condominiums. In the Consolidated balance sheet, the real estate held for the purposes of sales as condominiums (hereinafter referred to as "real estate inventories") is included in "Real estate held for sales" of ¥166,708 million(\$ 1,505,806 thousand) and "Costs and advances for real estate operations" of ¥113,272 million(\$ 1,023,146 thousand) on the Consolidated Financial Statements. The condominiums for sales included in the real estate inventories are associated with a potential risk of having lower profitability than originally expected because of price reduction or cancellation of the business plan which would be required depending on the progress of the business plan.

If the net realizable value falls below the acquisition costs as a result of change in a business plan, a valuation loss may need to be recorded.

The net realizable value is calculated based on transactions taken place in the neighboring areas, projection of sales prices and future demand for condominiums. The probability of the sales as well as the estimation of the net realizable value may become more uncertain especially for the condominiums whose progress of development and sales has been significantly delayed from the originally plan.

The significant assumptions in estimating the net realizable value are the estimated sales prices and the estimated selling expenses, as described in the Note 2(26) (Significant Accounting Estimates) to the consolidated financial statements.

Given that the valuation of the condominiums for sales included in the real estate inventories held by the Company, Haseko Real Estate Development, Inc. and Sohgo Real Estate Co., Ltd. involves management's judgment, we determined valuation of the real estate inventories to be a key audit matter.

Auditor's Response

In assessing management's judgment on whether a valuation loss on real estate inventories should be recognized, we performed the following audit procedures, among others, for properties selected as a result of our risk assessment.

- In order to evaluate the validity of the estimation of net realizable value of each real estate inventory, we compared the estimated sales price with the market price in neighboring areas, etc. and also compared the estimated selling expenses with the actual results in the past, etc. used in the sales plan which serves as the basis for the estimation of net realizable value as significant assumptions.
- In order to evaluate the validity of the estimated selling expenses, we obtained the selling expense ratio and the margin ratio and inquired with the department in charge of the property for which the selling expense ratio increased or the margin ratio decreased and assessed the consistency between their responses and our understanding of the business plan.
- In order to confirm that all the events that should be reflected in the estimation of the net realizable value were reflected, we inspected the minutes of various meetings such as the Board of Directors and performed inquiries with the in-charge department and examined whether the identified events were appropriately reflected in the evaluation of the real estate inventories.



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.

Consolidated Financial Statements



- 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.

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

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.

Consolidated Financial Statements




Convenience Translation


The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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 29, 2021

鈴木裕司 

Yuji Suzuki
Designated Engagement Partner
Certified Public Accountant

齋藤祐暢 

Masanobu Saito
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.

Jul. Oct. 2001

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

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

Accumulated number of condominium units constructed by Haseko

Mar. 2006

Completed "OBER Grandio Haginaka," Japan's first building replacement condominium applying the Revised Condominium Unit Ownership Act

Nov. 2005

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

Sep. 2003

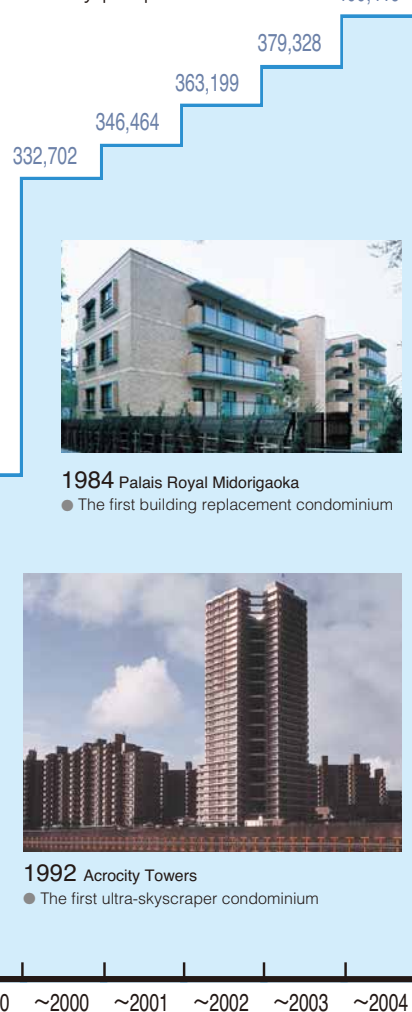
Completed the "Urayasu AMC Project," an advanced multi-purpose urban development project

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



1984 Palais Royal Midorigaoka

● The first building replacement condominium



1992 Acrocity Towers

● The first ultra-skyscraper condominium

History

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)

Jul. 2012

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

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

April 2020

Hosoda Corporation became a subsidiary by share acquisition (the present consolidated subsidiary), Main businesses are the sale and custom building of wooden detached housing

April 2020

The Company starts the "Haseko Next Stage Plan" (Plan NS), our new medium-term business plan for the next five years as an aiming for growth to the Next Stage

April 2019

Joint Corporation changed its name to Haseko Real Estate Development, Inc.



2011 BRANCHERA Suitakatayamakoen
● Long-life, high-quality housing



2011 BRANCHERA Urawa
● Long-life, high-quality housing

Mar. 2017

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

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



2009 The Kitahama
● 54-storyed ultra-skyscraper condominium



2004 Fukasawa House
● The first introduction of disaster prevention sets

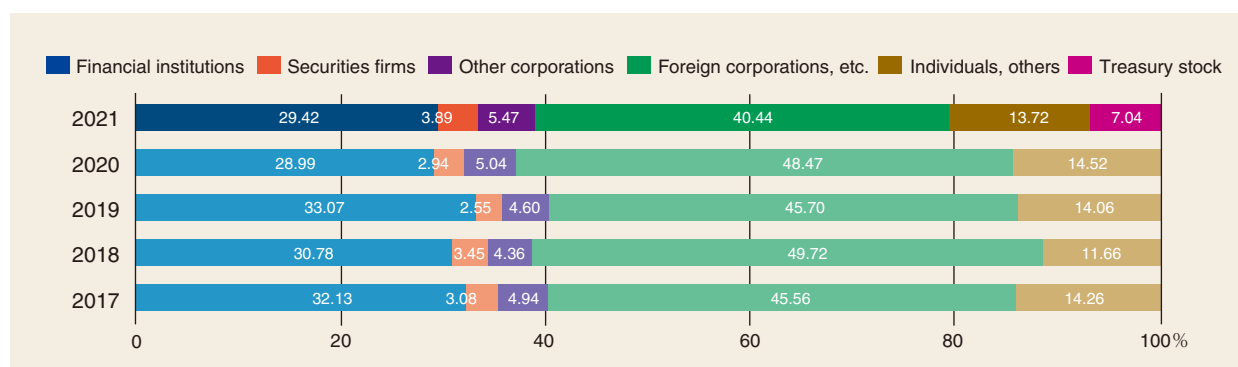


Share overview (As of March 31, 2021)

Total shares authorized to issue:	420 million shares
Outstanding shares:	300 million shares
Shareholders:	48,263 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, 2021)



Principal shareholders (As of March 31, 2021)

Shareholder	Shares (1,000 shares)	Voting rights (%)
Ichigo Trust Pte.Ltd.	52,568	18.82
The Master Trust Bank of Japan, Ltd. (Trust account)	24,636	8.82
Custody Bank of Japan, Ltd. (Trust account)	16,597	5.94
Resona Bank, Limited	12,609	4.54
Sumitomo Realty & Development Co., Ltd.	9,916	3.55
Haseko Group Employee Shareholders Association	7,736	2.77
Mizuho Bank, Ltd.	6,305	2.25
STATE STREET BANK WEST CLIENT -TREATY 505234	5,172	1.85
SMBC Nikko Securities Inc.	4,752	1.70
Custody Bank of Japan, Ltd. (Trust account 9)	4,747	1.70

Note 1. The shareholdings of The Master Trust Bank of Japan, Ltd. and Custody Bank of Japan, 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.
4. Excluding 21,188,000 treasury shares.

Changes in Stock Price

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

Accounting period	Fiscal year ended March 2017	Fiscal year ended March 2018	Fiscal year ended March 2019	Fiscal year ended March 2020	Fiscal year ended March 2021
Highest	1,358	1,853	1,754	1,567	1,682
Lowest	918	1,139	1,090	968	1,001

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

Overview (As of March 31, 2021)

Management Team

(As of June 29, 2021)

Directors and Corporate Auditors

Chairman:	Noriaki Tsuji *
President:	Kazuo Ikegami *
Directors:	Junichi Tani Nobuhiro Tani * Toshiyuki Murakawa Shoji Naraoka Masahito Koizumi Satoshi Kumano
Outside Directors:	Kazuhiko Ichimura Tadashi Kogami Mami Nagasaki Toshikatsu Ogura Shinsuke Fujii
Corporate Auditors:	Takahisa Chikayama Hiroyuki Takuma Yoshitaka Fukui ** Mitsuo Isoda ** Nobuyuki Iijima**

*Representative Director

**Indicates an outside corporate auditor as provided for in Article 2-16 of the Companies Act.

Operating Officers

Executive Vice

Presidents:	Junichi Tani* Nobuhiro Tani*
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Executive Operating

Officers:	Toshiyuki Murakawa* Takashi Tsuruta Shoji Naraoka*
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Senior Operating

Officers:	Masaaki Matsuoka Katsuhide Takahashi Masahito Koizumi* Yoshiaki Yamada Misato Yamamoto Satoshi Kumano* Toru Yamaguchi Toshihiko Tatsuno Seiji Fuseya Kuniyoshi Mimori
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Operating Officers:	Shinji Yamanaka Naoyuki Kumagai Eiyo 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 Katsuaki Tanaka Mizuki Kanegaki Norio Horii
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*Director

Name:

Haseko Corporation

Founded:

February 1937

Established:

August 1946

Paid-in capital:

57,500 million yen

Number of employees:

2,437 (Non-consolidated)
7,415 (Consolidated)

Stock exchange listing:

Tokyo Stock Exchange
1st section

Ticker code:

1808

Shares per trading units:

100 shares

Number of consolidated

subsidiaries:

60

Number of companies

accounted for by
the equity method:

3

Transfer agent and registrar:

Mitsubishi UFJ Trust and
Banking Corporation

Independent auditor:

ERNST & YOUNG SHIN
NIHON

Head office:

32-1 Shiba 2-chome, Minato-ku,
Tokyo 105-8507
Tel: 813-3456-5451

Kansai office:

5-7 Hiranomachi 1-chome,
Chuo-ku, Osaka-shi,
Osaka 541-0046
Tel: 816-6203-5661

Yokohama branch:

9th Floor,
Nittsu Shoji Yokohama Building,
19-3 Takashima 2-chome,
Nishi-ku, Yokohama-shi,
Kanagawa 220-0011

Nagoya branch:

9th Floor,
Sakae Sun City Building,
1-8 Sakae 4-chome, Naka-ku,
Nagoya-shi, Aichi 460-0008

Kyoto branch:

7th Floor,
Chushin Ekimae Building,
734 Higashishikouji-cho,
Karasuma-dori, Shichijou-kudaru,
Shimogyo-ku, Kyoto-shi,
Kyoto 600-8216

Kyushu/Okinawa

Operations Division:

2nd Floor,
Ichigo Hakataekimae Square,
21-28 Hakataekimae 1-chome,
Hakata-ku, Fukuoka-shi,
Fukuoka 812-0011

Chugoku and Shikoku regions

Business Promotion Department:

Orix Okayama-shimoishii Building,
1-18 Shimoishii 2-chome, Kita-ku,
Okayama-shi, Okayama 700-0907

Technical research institute:

1-1 Tsurumaki 3-chome, Tama-shi,
Tokyo 206-0034

Hanoi representative office:

7th Floor, Vinafor Building,
No. 127 Lo Duc, Dong Mac Ward,
Hai Ba Trung District, Hanoi,
Vietnam

