

Message from the Officer in Charge of Finance

We will maintain financial soundness while the financial divisions work together with operating divisions to proactively improve profits and expand business.

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In Charge of Finance, Accounting and IR



Review of fiscal 2022 business results

In fiscal 2022, although there was a decline in the new supply of condominium units in both the Tokyo metropolitan area and Kinki region, unit prices surpassed the record amounts achieved in fiscal 2021 to reach record high results for a second consecutive year. On the other hand, the construction industry faced many issues, including soaring costs for construction materials and labor, a shrinking number of skilled construction workers, adaptation to workstyle reforms, and decarbonization initiatives. Under these circumstances, in our business results for fiscal 2022, the third year of our medium-term business plan HASEKO Next Stage Plan ("Plan NS"), we achieved sales exceeding one trillion

yen for the first time, mainly due to considerable growth in real estate sales, and profits also increased.

The main causes for concern in the current business environment are steeply rising materials prices and intensified competition for the acquisition of land for commercial use. In regard to rises in materials prices, we specialize in condominiums, and all our condominiums are built under exclusive contracts under which land is provided for project owners, so we seek to fully utilize this feature to place orders for materials in large volumes as early as possible. We are working on the acquisition of land for commercial use in a balanced way that does not compromise business opportunities or financial soundness,

looking ahead to the market one to two years from now when sales will begin.

Progress on the medium-term business plan HASEKO Next Stage Plan ("Plan NS")

To further grow profits

For the fiscal year ending March 31, 2025, which is the final year of the Plan NS, we have set the numerical targets of 100.0 billion yen in consolidated ordinary income, 30.0 billion yen or more in ordinary income of consolidated subsidiaries, and five-year total consolidated ordinary income of 400.0 billion yen. As of the end of the third year of Plan NS, we are making smooth progress toward achieving these targets.

Raising profits in the Service-Related Business will be essential to meeting these numerical targets and further expanding profits. Our Service-Related Business is centered on services related to existing housing so there is plenty of potential for further growth going forward, but an issue to be addressed is that it is more labor intensive than the Construction-Related Business, meaning that profit levels and productivity per person are low. Over the last few years, our introduction of DX has prioritized construction sites, but for the remaining two years of Plan NS, we will strengthen DX investment aimed at reforming operations in the Service-Related Business.

Investment plan and financial strategy

In Plan NS, we have allocated 240.0 billion yen over five years for investment. This is being used to steadily advance strategic investments that will be monetized going forward, such as acquiring land for commercial use to expand the area of our condominium sales business in Japan, including

in regional cities, and resuming participation in overseas real estate projects. We are also practicing management that is conscious of ROE and ROA in the final year's consolidated financial statements, including factoring capital cost into acquisition criteria, particularly for real estate investments.

Looking back over the Company's history, there have been times when our very existence has been threatened. The big lesson we have learned from the struggles led to the development of the basic policy of seeking to expand business by the operating divisions in tandem with the financial divisions while actively taking risks in a sensible manner and continuing to add funds procured from outside the Company. We remain constantly aware of the risk inherent in real estate and we will avoid being overly conservative by setting and managing appropriate capital allocations and leverage in accordance with the different risks for each type of asset. In this way, we will work together with the operating divisions to achieve Plan NS by balancing active business investment with the maintenance of a sound financial base.

Basic policy on shareholder returns

In May 2022, we raised our minimum annual dividend per share by 10 yen from 70 yen to 80 yen to clarify our stance on shareholder returns and to enhance returns. We also made a total shareholder return ratio calculated from the sum of net income attributable to owners of parent for the five fiscal years of Plan NS of about 40% into part of our basic policy on shareholder returns. We will strive to enhance shareholder returns by firmly securing the resources needed to maintain a stable dividend through the steady achievement of Plan NS while also keeping flexible purchases of treasury stock as an option.

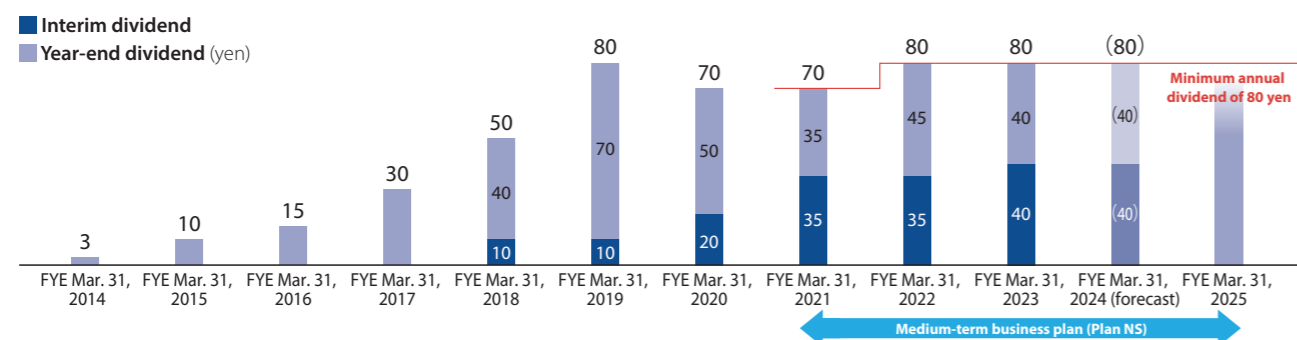
Financial strategy and shareholder returns in the medium-term business plan

- (1) Maintain a strong financial base while accelerating growth strategy investment and enhancing shareholder returns
- (2) Continue to pay stable dividends. In addition, buy back shares flexibly, taking into account the business environment, growth investment opportunities, the Company's stock price level, and improvement of capital efficiency

Shareholder return policy in the medium-term business plan

- (1) Set the minimum annual dividend per share at 70 yen → **Changed to 80 yen** from the fiscal year ended March 31, 2022
- (2) Set the total shareholder return ratio calculated from the sum of net income attributable to owners of parent for five years at about 40%

Annual Dividend per Share



Interest-bearing debt and equity

