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Consolidated Financial Results for the Nine Months Ended December 31, 2021 [Japanese GAAP]

February 10, 2022

Company name: HASEKO Corporation
Code number: 1808

Stock exchange listing: Tokyo Stock Exchange, 1st section
URL: <https://www.haseko.co.jp/hc/>

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2021 (April 01, 2021 to December 31, 2021)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended								
December 31, 2021	626,052	13.1	61,465	31.8	60,976	33.3	41,826	34.5
December 31, 2020	553,667	(9.4)	46,628	(23.7)	45,737	(25.4)	31,107	(26.4)

(Note) Comprehensive income: Nine months ended December 31, 2021: ¥ 43,976 million [35.0%]
 Nine months ended December 31, 2020: ¥ 32,579 million [(18.7)%]

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
December 31, 2021	152.20	-
December 31, 2020	107.94	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
December 31, 2021	1,002,425	403,686	40.3
March 31, 2021	953,659	394,365	41.4

(Reference) Shareholder's equity: As of December 31, 2021: ¥ 403,681 million
 As of March 31, 2021: ¥ 394,359 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	-	35.00	-	35.00	70.00
Fiscal year ending March 31, 2022	-	35.00	-	-	-
Fiscal year ending March 31, 2022 (Forecast)	-	-	-	35.00	70.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 01, 2021 to March 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	850,000	5.0	78,000	7.0	75,000	4.4	51,000	5.7	185.69

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2021
(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common stocks)

1) Total number of issued shares at the end of the period (including treasury stocks):

December 31, 2021: 300,794,397 Shares

March 31, 2021: 300,794,397 Shares

2) Total number of treasury shares at the end of the period:

December 31, 2021: 26,147,398 shares

March 31, 2021: 24,231,920 shares

3) Average number of shares during the period:

Nine months ended December 31, 2021: 274,803,962 shares

Nine months ended December 31, 2020: 288,179,571 shares

(Note) The number of treasury stocks above includes shares held as the trust assets for the Board Benefit Trust (BBT) and the Employee Stock Ownership Plan (ESOP).

Shares of the Company's own stock held in BBT and ESOP trust accounts are included in treasury stock subtracted from the calculation of the average number of shares during the period.

This report is not subject to audit procedures by certified public accountants or audit firms.

Explanation regarding appropriate use of forecasts, and other specific comments

The forecasts contained herein are based on information available as of the date of this announcement, and the actual results may differ materially from forecasts due to various factors. For details of assumptions for financial forecasts and other related matters, please refer to "1. Qualitative Information on Quarterly Financial Results (3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking information" on page 3 of the Attachment.

Supplementary materials for this report and results briefing materials can be found on the Company's website.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operation

For the nine months ended on December 31, 2021, Net sales were 626.1 billion yen, up by 13.1% compared with the same period of the previous fiscal year because real estate sales increased due to an increase in a transaction volume of real estate for the purpose of receiving construction orders by the Company and an increase in a transaction volume of real estate by subsidiaries, despite the sales of construction contracts decreased by the Company.

Operating income was 61.5 billion yen, up by 31.8% compared with the same period of the previous fiscal year, mainly due to an increase in the gross profit of real estate sales.

Ordinary income was 61.0 billion yen, up by 33.3% compared with the same period of the previous fiscal year, and profit attributable to owners of parents was 41.8 billion yen, up by 34.5% compared with the same period of the previous fiscal year.

Operating results by reportable segment are as follow:

	Billions of yen							
	Construction-related business		Real estate-related business		Service-related business		Overseas-related business	
Net Sales	453.2	(+20.2)	65.4	(+30.0)	145.6	(+19.1)	0.0	(-0.1)
Segment income	49.9	(+3.2)	9.7	(+4.3)	6.4	(+5.4)	-1.3	(-0.4)

Figures in parentheses show the amount of increase or decrease from the same period of the previous fiscal year

(Construction-related business)

For construction works, projects 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. The gross profit margin of completed construction contracts rose due to cost reduction efforts, etc.

In terms of orders for new construction of for-sale condominiums, the Company won orders for 47 projects in total throughout Japan consisting of 35 in the Tokyo metropolitan area including 6 large projects of at least 200 units and 12 in the Kinki and Tokai areas including 4 large projects of at least 200 units. In addition, aside from construction of for-sale condominiums, the Company received orders for 7 projects for rental housing, etc. As for construction completion, the Company completed construction of 56 projects including 4 projects for rental housing, etc.

The segment posted sales of 453.2 billion yen, up by 4.7% compared with the same period of the previous fiscal year because real estate sales increased due to the increase in the transaction volume of lands for the purpose of receiving construction orders by the Company, despite the sales of construction contracts decreased. Operating income was 49.9 billion yen, up by 6.9% compared with the same period of the previous fiscal year because of the increase in the gross profit of real estate sales.

(Real estate-related Business)

The segment posted sales of 65.4 billion yen, up by 84.7% compared with the same period of the previous fiscal year, and operating income of 9.7 billion yen, up by 80.1% compared with the same period of the previous fiscal year, as sales of new for-sale condominiums by consolidated companies progressed smoothly.

(Service-related Business)

With the spread of COVID-19 and in reaction to the voluntarily restraint of business activities conducted in the previous fiscal year, there was an increase in the following: (1) the volume of repair work in large-scale repair work and interior remodeling; (2) the number of units to be delivered in consigned sales of newly built condominiums; (3) the number of brokered units in real estate brokerage operation; and (4) the volume of construction work in common areas and exclusive areas in for-sale condominium management operations.

The segment posted sales of 145.6 billion yen, up by 15.1% compared with the same period of the previous

fiscal year, and operating income of 6.4 billion yen, up by 532.8% compared with the same period of the previous fiscal year.

(Overseas-related business)

Real estate sales decreased in Oahu, Hawaii. New for-sale detached housing business and developing a commercial facility were in progress.

The segment posted sales of 0.0 billion yen (in contrast to sales of 0.1 billion yen in the same period of the previous fiscal year) and operating loss of 1.3 billion yen (in contrast to operating loss of 0.9 billion yen in the same period of the previous fiscal year).

(2) Explanation of Financial Position

Total assets as of December 31, 2021 increased by 48.8 billion yen from the end of the previous fiscal year to 1,002.4 billion yen. This is mainly due to increases in real estate for sale and costs and advances for real estate operations, by investing in lands for the purpose of receiving construction orders and new for-sale condominiums business.

Total liabilities were 598.7 billion yen, an increase of 39.4 billion yen from the end of the previous fiscal year. This is mainly due to borrowing debt.

Net assets were 403.7 billion yen, an increase of 9.3 billion yen from the end of the previous fiscal year. This is mainly due to an increase in retained earnings due to the recording of net income attributable to owners of parents despite decreases by the impact of the application of the “Accounting Standard for Revenue Recognition,” payment of cash dividends and purchase of treasury stocks.

(3) Explanation of Forecast of Consolidated Financial Results and Other Forward- Looking Information

There is no change in the forecast announced on May 13th, 2021.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2021	As of December 31,2021
Assets		
Current assets		
Cash and bank deposits	216,107	185,220
Notes and accounts receivable, trade	132,346	148,965
Marketable securities	516	558
Costs on uncompleted construction contracts	10,774	15,224
Real estate for sale	166,708	187,555
Costs and advances for real estate operations	113,272	156,137
Real estate for development projects	25,723	28,790
Other	24,175	17,347
Allowance for doubtful accounts	(94)	(95)
Total current assets	689,527	739,699
Fixed assets		
Property and equipment		
Buildings and structures	82,382	76,639
Machinery, vehicles, equipment and furniture	9,707	9,898
Land	100,156	96,224
Leased assets	1,274	1,239
Construction in progress	9,105	16,103
Accumulated depreciation	(29,615)	(30,847)
Total property and equipment	173,010	169,256
Intangible assets		
Land leasehold rights	1,876	1,875
Goodwill	2,590	2,438
Other	5,392	5,509
Total intangible assets	9,858	9,821
Investments and other assets		
Investment securities	40,880	41,690
Long-term loans receivable	3,077	3,204
Net defined benefit asset	18,458	19,719
Deferred tax assets	5,803	6,306
Other	13,839	13,519
Allowance for doubtful accounts	(793)	(790)
Total investments and other assets	81,264	83,648
Total fixed assets	264,132	262,725
Total assets	953,659	1,002,425

(Million yen)

	As of March 31,2021	As of December 31,2021
Liabilities		
Current liabilities		
Notes and accounts payable	87,095	75,352
Electronically recorded obligations	54,899	52,836
Current portion of long-term debt	5,971	5,921
Income taxes payable	15,397	5,254
Advances received on uncompleted construction contracts	17,636	26,121
Advances received for real estate sales	22,349	30,101
Warranty	4,303	3,645
Allowance for losses on construction contracts	151	213
Accrued bonuses for employees	4,797	2,255
Accrued bonuses for director	127	-
Other	59,238	51,822
Total current liabilities	271,963	253,521
Long-term liabilities		
Straight bonds	90,000	90,000
Long-term debt	171,981	221,345
Provision for loss on litigation	2,245	2,405
Provision for employee stock ownership plan	2,787	3,221
Provision for board benefit trust	347	399
Liability for retirement benefit	1,361	1,442
Deferred tax liabilities	22	22
Other	18,589	26,384
Total long-term liabilities	287,331	345,218
Total liabilities	559,294	598,739
Net assets		
Shareholders' equity		
Capital stock	57,500	57,500
Capital surplus	7,373	7,373
Retained earnings	369,335	379,484
Treasury stock	(31,353)	(34,332)
Total shareholders' equity	402,855	410,026
Accumulated other comprehensive income		
Net unrealized gain(loss) on other securities	4,254	2,401
Translation adjustment	(7,320)	(3,903)
Retirement benefits liability adjustments	(5,429)	(4,842)
Total accumulated other comprehensive income	(8,495)	(6,345)
Non-controlling interests	5	5
Total net assets	394,365	403,686
Total liabilities and net assets	953,659	1,002,425

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the nine months)

(Million yen)

	For the nine months ended December 31,2020	For the nine months ended December 31,2021
Net sales		
Construction contracts	346,788	350,324
Design and supervision	4,866	5,164
Leasing and management	62,894	61,663
Real estate sale	126,549	195,688
Others	12,570	13,212
Total net sales	553,667	626,052
Cost of sales		
Construction contracts	287,196	288,541
Design and supervision	2,632	2,696
Leasing and management	48,892	47,721
Real estate sale	111,607	166,654
Others	10,922	11,028
Total cost of sales	461,248	516,640
Gross profit		
Construction contracts	59,593	61,783
Design and supervision	2,234	2,468
Leasing and management	14,002	13,942
Real estate sale	14,943	29,034
Others	1,648	2,184
Total gross profit	92,419	109,412
Selling, general and administrative expenses	45,791	47,947
Operating income	46,628	61,465
Non-operating income		
Interest income	81	63
Dividend income	374	1,142
Equity in earnings of affiliates	1	-
Other	1,547	924
Total non-operating income	2,002	2,129
Non-operating expenses		
Interest expenses	985	1,243
Equity in losses of affiliates	-	1
Incidental expenses for loan	1,353	1,332
Other	556	41
Total non-operating expenses	2,894	2,617
Ordinary income	45,737	60,976

(Million yen)

	For the nine months ended December 31,2020	For the nine months ended December 31,2021
Special income		
Gain on sale of property and equipment	5	3
Gain on sale of investment securities	-	218
Other	-	3
Total special income	5	224
Special losses		
Loss on disposal of property and equipment	38	35
Impairment loss on fixed assets	11	-
Impairment loss on investment securities	38	-
Other	-	3
Total special losses	86	38
Income before income taxes	45,655	61,162
Income taxes - current	12,675	15,034
Income taxes - deferred	1,874	4,302
Total income taxes	14,549	19,337
Net income	31,106	41,825
Net income attributable to non-controlling interests	(0)	(0)
Net income attributable to owners of parent	31,107	41,826

Quarterly Consolidated Statements of Comprehensive Income (For the nine months)

(Million yen)

	For the nine months ended December 31,2020	For the nine months ended December 31,2021
Net income	31,106	41,825
Other comprehensive income		
Net unrealized gain(loss) on other securities	2,046	(1,854)
Translation adjustments	(1,065)	3,417
Retirement benefits liability adjustments	491	587
Total other comprehensive income	1,472	2,151
Comprehensive income	32,579	43,976
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	32,579	43,976
Comprehensive income attributable to non-controlling interests	(0)	(0)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

(Notes to Significant Changes in the Amount of Shareholder's Equity)

Not applicable.

(Changes in Accounting Policies)

(Adoption of the Application of Accounting Standard for Revenue Recognition, Etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and it recognizes revenues for goods or services based on the amount estimated to be received in exchange for such goods or services at the point when control of the promised goods or services is conveyed to the customer. The main changes are as follows:

(1) Providing repair service

In terms of repair services in regards to completed construction based on paid contract, previously it had recognized the full amount of revenues before construction works were completed and delivered. However, now it recognizes revenues divided evenly depending on the period that the service is provided because the performance obligation is satisfied by passage of time.

(2) Leased corporate housing operation consignment fee in outsourced management of corporate housing

In terms of leased corporate housing operation consignment fee by acting to manage corporate housing, previously it had recognized at the lease contract start date of a customer. However, now it recognizes revenues at the time of cancellation settlement because the performance obligation is satisfied at the time of cancellation settlement.

(3) Consignment sales fee in sales of new for-sale condominiums and detached housing

In terms of consignment sales fee in sales of new for-sale condominiums and detached housing, previously it had recognized revenues at the point when a real estate sales contract was concluded each unit and when it was completed to deliver each unit. However, now it recognizes revenues when a unit is completed to deliver each unit because the performance obligation is satisfied along with delivering each unit.

(4) Move-in fee of paid facilities for the elderly

In terms of move-in fee of paid facilities for the elderly, previously it had recognized revenues about the part of move-in fee after the elapse of a certain period of time stipulated in a tenant contract. However, now it recognizes revenues over the expected residence period calculated reasonably.

The Company has applied the Accounting Standard for Revenue Recognition transitionally, in accordance with the proviso in Article 84 of the standard. The cumulative effect amount, applying with the new accounting policy retrospectively prior to the beginning of the first three months from April 1 to June 30, 2021, was adjusted to retained earnings at the beginning of the first three months from April 1 to June 30, 2021, and the Company has applied the new policy to the balance at the beginning of the first three months from April 1 to June 30, 2021. However, pursuant to the method prescribed in Paragraph 86 of the Revenue Recognition Accounting Standard, the Company did not retrospectively apply the new accounting policy to contracts for which almost all revenue had already been recognized before the beginning of the three months ended June 30, 2021 according to the previous treatment.

As a result, there was an insignificant impact on consolidated financial results for the nine months ended December 31, 2021. Furthermore, the balance of retained earnings decreased 11,881 million yen at the beginning of current period.

(Application of Accounting Standard for Fair Value Measurement, Etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year. Furthermore, in accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July

4, 2019), the Company will prospectively apply the new accounting policy provided in the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations. There was an insignificant impact on the quarterly consolidated financial statements.

(Segment information)

1. Reportable segment information (net sales and income (loss))

For the nine months ended December 31,2020

(Millions of Yen)

	Reportable Segments				Total	Adjustments and eliminations (Note 1)	Consolidated (Note 2)
	Construction-related business	Real estate-related business	Service-related business	Overseas-related business			
Net sales							
Sales to third parties	396,780	34,875	121,930	83	553,667	—	553,667
Inter-segment sales and transfer	36,251	518	4,579	—	41,348	(41,348)	—
Total	433,031	35,393	126,509	83	595,015	(41,348)	553,667
Segment income(loss)	46,682	5,366	1,009	(879)	52,178	(5,550)	46,628

Note 1 : Adjustment and eliminations for segment income include (2,299) million yen of elimination of inter-segment transactions and (3,251) million yen 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.

Note 2 : Segment income(loss) has been adjusted with operating income in the consolidated statement of income.

For the nine months ended December 31,2021

(Millions of Yen)

	Reportable Segments				Total	Adjustments and eliminations (Note 1)	Consolidated (Note 2)
	Construction-related business	Real estate-related business	Service-related business	Overseas-related business			
Net sales							
Sales to third parties	422,263	64,691	139,090	9	626,052	—	626,052
Inter-segment sales and transfer	30,919	680	6,480	—	38,078	(38,078)	—
Total	453,181	65,370	145,570	9	664,130	(38,078)	626,052
Segment income(loss)	49,925	9,662	6,386	(1,315)	64,658	(3,193)	61,465

Note 1 : Adjustment and eliminations for segment income include (15) million yen of elimination of inter-segment transactions and (3,179) million yen 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.

Note 2 : Segment income(loss) has been adjusted with operating income in the consolidated statement of income.

3.Non-consolidated Orders received

(1) Non-consolidated Orders received

	Orders	
	Millions of Yen	%
For the nine months ended December 31, 2021	212,050	(3.8)
For the nine months ended December 31, 2020	220,321	(21.6)

* % indicates changes from the previous corresponding period.

Breakdown of orders Received

[Millions of Yen]

	For the nine months ended December 31, 2020		For the nine months ended December 31, 2021		Increase (decrease)	
	Amount	%	Amount	%	Amount	%
Private-sector condominiums	166,054	(79.0%)	168,432	(84.1%)	2,379	1.4%
Rental condominiums, Company housing, etc.	14,779	(7.1%)	22,010	(11.0%)	7,231	48.9%
Residence Total	180,833	(86.1%)	190,443	(95.1%)	9,609	5.3%
Non-Residence	22,206	(10.6%)	697	(0.3%)	(21,510)	(96.9%)
Others	7,109	(3.4%)	9,217	(4.6%)	2,108	29.7%
Construction Total	210,149	95.4%	200,356	94.5%	(9,793)	(4.7%)
Consulting Contracts	2,711	1.2%	4,151	1.9%	1,440	53.1%
Construction business	212,860	96.6%	204,508	96.4%	(8,352)	(3.9%)
Design and Supervision	7,461	3.4%	7,542	3.6%	81	1.1%
Orders Total	220,321	100.0%	212,050	100.0%	(8,271)	(3.8%)

* The figures in parentheses refer to the proportion of Construction Total.

(2) Non-consolidated Orders received forecast

	Annual	
	Millions of Yen	%
March 2022 forecast	470,000	9.2
March 2021 result	430,310	(8.8)

* % indicates changes from the previous corresponding period.

Qualitative information of Orders Received result and forecast

Construction total were 200.4 billion yen, decreased by 9.8 billion yen year-on-year and the total of orders received were 212.0 billion yen, down by 3.8% year-on-year. A progress rate against the annual forecast of 470 billion yen was 45.1%, but we haven't revised the annual forecast.